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1. The attached economic material on the Russian Zone of Germany entitled

   a. German Economic Press Review
   b. Economic Report on the Soviet Occupation, February/March 1950
   c. Economic Survey of the Soviet Occupied Zone of Germany
   d. The 1950 Economic Plan for the Soviet Occupation Zone of Germany

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This Review covers news items of economic interest reported by the German Press and Economic Periodicals relating to:-

I. The Soviet Zone of Germany and Soviet Sector of Berlin.

II. Western Berlin.

III. The Federal German Republic, as reported by the BERLIN and EASTERN GERMAN PRESS.

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GLOSSARY OF ABBREVIATIONS USED

ADN (SOVIET LICENSED)	=	Allgemeiner Deutscher Nachrichtendienst
RP (WESTERN GERMAN)	=	Reichsbahn Pressedienst
DPA (WESTERN GERMAN)	=	Deutsche Presse Agentur
SZSCC	=	Soviet Zone State Control Commission

SECRET CONTROL
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GERMAN ECONOMIC PRESS REVIEW No. 6 19th January, 1950

PART I.

NEWS ITEMS RELATING TO THE SOVIET ZONE AND SOVIET SECTOR OF BERLIN

A. ECONOMIC REVIEW OF THE SOVIET-LICENSED PRESS

The Eastern German Propaganda Minister's Press Conference held in Berlin on 9th January, the Socialist Unity Party Congress of 10th and 11th January and the passing on 12th January by the Eastern German Government of the Bill concerning the 1950 Economic Plan, have produced the economic news highlights of the second news-week of the year presently under review.

The Information Office Press Conference marked the opening of a virulent propaganda offensive against the isolationist trade policy of the Federal Government of Western Germany, reflected according to the Eastern propaganda Minister, in the present state of economic stagnation in the West, alleged to be leading irrevocably to the economic collapse of the Western Sectors of Berlin and of Western Germany. This news-item is dealt with in detail in the introduction to Parts II and III of this review.

Speeches made by Wilhelm PIECK, President of the East German Government, Walter ULBRICHT, Deputy Prime Minister, and Heinrich RAU, Minister of Economic Planning, on the occasion of the Socialist Unity Party Congress provided a more detailed picture of the provisions of the 1950 Soviet Zone Economic Plan, emphasising its planned fulfilment without the aid of foreign capital and without crisis; as also the announcement by the Minister of Planning, of 20th July, 1950, date of the mid-summer Party Congress, as the target date for the complete fulfilment of the Eastern Zone Two Year Industrial Production Plan.

Amplification, in the course of the speeches made by the above quoted three members of the Congress, of the economic propaganda drive opened by PIECK and SELBMANN during the first days of the New Year, aimed at increasing the overall 1950 production level of the Eastern Zone of Germany, disclosed the political motives underlying this drive to be: "the vital strengthening of the economic structure of Eastern Germany in order to form the economic corner stone of the National Front campaign for a united Germany", as also the planned exploitation at the Autumn Eastern German elections of the anticipated announcement to be made at the summer Congress of the success of the Two Year Plan, which the Party hopes will fortuitously synchronise with increasing instability of the economy of Western Germany.

Further details have been published by the Soviet-licensed Press of the provisions of the Trade Agreement concluded on the 9th January in Berlin between the Eastern German Government and Czechoslovakia, heralded as an event of major economic and political significance, evidencing the Eastern German Government's sovereign freedom of action in the direction and expansion of the 1950 Eastern Zone Foreign Trade programme.

Although in actual practice the Soviet Control Commission continues to dominate the trend of East German Foreign Trade, the Eastern Zone Government's "freedom of action" propaganda line has been fully exploited in a number of editorials and front page articles which have appeared in the leading Soviet-licensed dailies during the period under review, discrediting the Foreign Trade policy of Western Germany, in accordance with the directions issued at the Propaganda Minister's Press Conference

Added weight to the Eastern line of propaganda argument was provided by the doubtless purely coincidental connection between the Eastern German

Propaganda Minister's Press Conference of 9th January, and Vice Chancellor and ERP Minister BLUCHER's Press Conference held in BONN three days later, unfortunately on the same subject. The Vice Chancellor's admission of Western Germany's failure to increase her exports to the U.S.A., her inability to, and vital need of, trade with Eastern European countries, as also her lack of Foreign credits, has been fully exploited by the Soviet-licensed Press.

A vigorous recrudescence of the drive to eliminate potential "reactionary" elements from Eastern German industry is observed in the Soviet-licensed Press during the period under review.

In anticipation of the opening at the end of January of the trial of the persons accused of conspiring with "monopoly-capitalists" in the embezzlement of funds and shares of the German Continental Gas Company, Dessau, the "Berliner Zeitung" has called for the thorough investigation of the background of the persons accused, this corruption case now being stated to be on an international scale, the paper making the allegation that Professor BUNDERT was a British-trained spy, and that the ramifications of the Gas Company extend as far as the U.S. Hannaman group.

To the recent report published by the Mecklenburg State Control Commissions of a circumstantial account of an attempt by the Western Powers to conduct economic espionage in that Land; the discovery by the Association of Nationalised Shipyards, and the "Peoples" Control Commissions of defalcations amounting to almost a million Marks at the WISMAR Ship-repair yards; the removal from Office of the Chief Metallurgist of the KRUPP GRUSON steel foundry in MAGDEBURG charged with consistent sabotage of the Work's production; and the arrest of several members of the COTTBUS Town administration on defalcation charges in connection with the COTTBUS FAIR COMPANY, three further economic sabotage cases have been added.

The Soviet-licensed Press of 13th January, carries front-page reports and pictures, of an unsuccessful attempt alleged to have been made during the evening of 11th January, by persons stated to have been paid agents of Anglo-American Imperialism, to set fire to the Exhibition of STALIN Birthday gifts which has been open to the public in the Eastern Sector of BERLIN.

Wilhelm PIECK, President of the Eastern German Government, is reported by the Soviet-licensed Press to have made a second visit to this exhibition on 13th January, on which occasion he inspected the fire damage done to the premises and instructed that the evidence of incendiarism be allowed to remain for public inspection as a symbol of the fight of the free people of Eastern Germany against the Warmongering incendiaries of the West.

This exhibition was also visited during the period under review by the Deputy Prime Minister, Walter ULBRICHT.

On the same day as PIECK's visit to the Stalin Exhibition, a report was published of the arrest of persons charged with embezzlement and transfer to the West Berlin Eletricity Company (BEWAG) of rentals on properties in the Eastern Zone of the ZSCHORNEWITZ Power Station in Saxony/Anhalt, following upon investigations made by the Saxony/Anhalt Land Control Commission.

A call to the population of BERLIN made by the Management of the BERLIN "S" Bahn (Electric Railway), was also published on 13th January, for increased vigilance and the immediate report in respect of thefts of valuable Railway equipment recently prevalent on Railway property, alleged to be aimed at sabotaging the maintenance of the "S" Bahn service.

On 11th January the "NEUES DEUTSCHLAND" published the text of a letter addressed by WILHELM PIECK to OTTO GROTEWOHL, the Prime Minister of Eastern Germany, in MOSCOW, expressing the regrets of the members of the Socialist Unity Party Congress at the Prime Minister's absence therefrom, and the Congress' best wishes for his speedy and complete recovery from his recent illness, as also the pleasure afforded the Congress by the fact that the Prime Minister had been given the opportunity of convalescing in the Soviet Union.

1. S.E.D. PARTY CONGRESS. MINISTER OF PLANNING'S REPORT ON THE 1950 EASTERN ZONE ECONOMIC PLAN

Condensed from "TAEGLICHE RUNDSCHAU" and "NEUES DEUTSCHLAND" of 12th January, 1950

In the course of his speech at the Socialist Unity Party Congress held in the Eastern Sector of Berlin on 10th and 11th January, HEINRICH RAU, Minister of Economic Planning, stated that the 1950 Eastern Zone Economic Plan provided for the achievement by the end of 1950 of an overall industrial production level of 103% as compared with the level of 1936, representing an overall increase in 1950 industrial production of 21% over 1949 results.

In the Agricultural field the attainment in 1950 of average 1934/38 agricultural yields and cattle and pig breeding levels was planned.

An increase of 14.4% in the value of retail sales turnover over 1949 figures was envisaged, which in view of the progressive relaxation of price controls planned, would represent a much higher turnover percentage in terms of quantity. The overall wage level would increase by 10%. 1950 Reparationsdeliveries to the Soviet Union would represent only 4.4% of the gross production of the Eastern Zone.

The Minister for Planning concluded his speech by stressing the vital need for national realisation of the complete dependence of Eastern Germany's fight for freedom, a united Germany, Peace, and a higher standard of living for all, on full economic recovery.

The 20th July, 1950, the date of the midsummer Party Congress, must be aimed at by all branches of industry as the target date for the fulfilment of the Two Year Industrial Production Plan, in order to bring to a successful and speedy conclusion the initial two year period of economic reconstruction, and stabilisation, and thus clear the deck for the achievement of a virile and sound Eastern German economy by an early start on the major plans for the future development of Eastern Germany's industrial production. Success hinged entirely on the measure of increase in individual output, improvement in quality, training of skilled workers, and encouragement of scientific and technical research achieved this year.

SRE COMMENT: The statistical achievement by the not unexpected target date of 20th July, 1950 of the overall Two Year Plan, is comparatively easy, as overall results by then achieved will be in terms of values and not quantities. The growing number of price increases in the Soviet Zone necessitated by cuts in subsidies will make it easy to show high values even though output may not live up to target quantities.

RAU's statement that "1950 reparation deliveries to the Soviet Union will only amount to 4.4% of the zonal gross production" is utterly misleading. He carefully

avoided committing himself to any explanation of the apparent drastic cut against the 1949 figure of 12.4%, leaving it to the credulous reader to draw the optimistic conclusion that reparations from Eastern Germany were becoming negligeable as a result of cuts in Russian claims and spectacular increases in zonal productivity.

It should be noted that RAU's statement referred to reparations to RUSSIA only and that the fall from 12.4% to 4.4% in reparations deliveries to the Soviet Union is simply the result of "cooking a la Russe" of Soviet statistics. RAU conveniently forgot reparations to Soviet satellite countries, Red Army requirements in Eastern Germany, and the very considerable volume of invisible reparations in the shape of exports to the Soviet Union at prices under zonal production costs.

The actual reparation target for 1950 remains practically that of 1949, 1,000 million D.M. at pre-1945 prices. At the present rate of production costs, this corresponds to 1,600 million D.M. or 100 D.M. per head of the population of the Eastern Zone. The zonal economy which cannot cope with this heavy burden from ordinary taxation can only meet Soviet reparations claims out of the excess profits of the H.O. Retail Stores, shops and restaurants, thus extracting an unpublicised and indirect contribution to the heavy Soviet reparation claims from the pay-packets of H.O. customers.

2. 1950 EASTERN GERMAN FOREIGN TRADE PLANS
DETAILS OF EASTERN GERMAN/CZECHOSLOVAK TRADE AGREEMENT

Condensed from the "TAEGLICHE RUNDSCHAU" of 11th January, 1950,
"NEUES DEUTSCHLAND" of 10th January and
"DIE WIRTSCHAFT" of 5th and 12th January, 1950

The announcement of the signing of a new Trade Agreement in Berlin on 9th January, between Eastern Germany and Czechoslovakia, reported in last week's issue of this Review, has now been amplified by the publication of the following lists of commodities the exchange of which is provided for under the terms of this Agreement: Czechoslovakia's deliveries will consist mainly of motor tyres, rolled products, coke, foodstuffs and textiles, against machinery, semi-finished and finished chemical products, precision and optical goods, and fertilisers.

A "TAEGLICHE RUNDSCHAU" editorial, a front page article in "NEUES DEUTSCHLAND" and "DIE WIRTSCHAFT" (weekly soviet-licensed economic periodical) have publicised the expansion, since the formation of the Eastern German Government, of trade relations with the Soviet Union and Eastern bloc countries.

According to these articles, 45% of the Eastern Zone's foreign trade is with the Soviet Union and 35% with the Eastern Bloc countries. 1948 saw a four fold increase in the foreign trade turnover of the zone, and 1949 the doubling of 1948 figures. Trade with the Soviet Union is expected to increase in 1950 by more than 50% against 1949, "DIE WIRTSCHAFT" reporting this anticipated increase as 2½ times that of 1948. Food supplies from the U.S.S.R. are anticipated to account for a third of total Soviet imports, three-quarter of the total 1950 increase in these imports representing higher grain and fat deliveries to cover the zones higher ration scales. Although trade with the U.S.S.R. is not yet based on a general trade agreement, shipment within the framework of global Soviet delivery promises for 1950 of 380,000 tons of grain is anticipated, of which 30,000 tons are already stated to have reached Germany. A substantial increase is also planned in Soviet

deliveries of metallurgical products and the export to the U.S.S.R. from Eastern Germany of engineering products.

The supplementary Trade Agreement concluded during the last days of 1949 with Poland, which is stated to provide for a considerable increase in trade turnover over the 152 million dollar exchange of goods provided for by the previous agreement of 23rd March, 1949, provides for increased imports to Eastern Germany of hard coal, coke and seeds and other commodities not specified, against counter deliveries from Eastern Germany which are to include roll-films, glassware, engineering products, furniture, wood products, sanitary equipment and fertilisers.

84% of these German exports to Poland are stated to consist of semi-finished and finished products and 16% of raw materials.

Arrival in ZWICKAU (Saxony) during the first days of the New Year of 281 tons of pork and 265 tons of beef from Hungary, first deliveries against the several thousand ton contract under the terms of the East German Government's trade agreement concluded within Hungary in October last, is reported.

All the above trade agreements are reported to be on an equalising basis, thus precluding the danger of foreign financial liability on the part of Eastern Germany arising therefrom.

3. PASSING OF THE BILL CONCERNING THE 1950 EASTERN ZONE ECONOMIC PLAN

Condensed from the "TAEGLICHE RUNDSCHAU" and "NEUES DEUTSCHLAND" of 13th and 14th and "DIE WIRTSCHAFT" of 12th January, 1950

The featuring in both editorials and leading articles in the above papers and in "DIE WIRTSCHAFT", Soviet-licensed weekly economic periodical, of the announcement of the passing by the Eastern German Government of the Bill concerning the 1950 Economic Plan, which is to provide for a 21% overall increase over 1949 in the industrial production of the Eastern Zone, publicises the following 1950 planned industrial and agricultural production percentage increases over 1949 figures:-

Metallurgical industry	36%
Engineering, Electrotechnical, Precision and Optics industries	33⅓%
Chemical industry	21%
Textile industry	21%
Food industry	20%
Building Material industry	29%

The 1950 planned expansion of Brown coal briquette and Power capacity is signalled out as the major industrial development of the coming year, a 1950 electric power output of 18 Milliard Kwh being provided for in the Economic Plan for 1950 alone, against 16 Milliards originally planned for the entire two year period covered by the 1949/1950 Plan. Similarly, a 1950 production target of 37.5 Million tons of brown coal briquettes is set for the second year of the Two Year Plan against the target of 32 Million tons originally set for the combined two year period. The further improvement in 1950 supplies of fertiliser is stated to be ensured by the present substantially improved potash fertiliser position and by the production target of 180,000 tons of Nitrogen set for 1950, and the doubling in 1950 of the 1949 production of phosferous.

A production target of 5,400 tractors for delivery to the Eastern Zone Agricultural Machinery Lending Centres by the end of 1950 has been set, as also a 40% increase in the 1950 output of agricultural machinery over 1949 output figures.

The reclaiming of 10,000 hectares of arable land and 100,000 hectares for cultivation by means of improved inigation methods is also announced. The cattle-breeding programme for 1950 envisages the breeding of 5.7 million pigs and the same number of cattle.

The doubling of the 1949 afforestation plan is provided for 1950 representing 80,000 hectares of new afforestation during this year.

A 20% increase in transport capacity in 1950 is planned to cope with the industrial and agricultural production increases planned for the year.

The turn-round of railway goods wagons must be reduced to 3.75 days in 1950 and 75,000 wagons repaired. Shipping and inland water transport facilities are to be improved in order to satisfy the anticipated increase in transport demand in these fields.

The 1950 Investment programme provides for an investment target of 2.35 billion D.M. of which more than 1 billion is earmarked for the expansion of the nationalised industries of the zone.

100 million D.M. will be available for loans to resettlers and 750 million D.M. for the 1950 building programme. In addition long term credits will be available for investments of private industry essential to the fulfilment of the 1950 Economic Plan, and 60 million D.M. for the expansion of Public Health Services and approximately 100 million D.M. for the building and extension of schools and Universities.

Special attention is to be paid to vocational training requirements of the rising generation. 95,000 vacancies for apprenticies will be made available in 1950 in addition to the present number of available vacancies.

4. EASTERN ZONE 1950 TRADE AND SUPPLY PROSPECTS

Condensed from "DER MORGEN" (East LDP Organ) Berlin-Soviet, 10th January, 1950

Dr. Hamann, chairman of the Eastern Zone Liberal Democratic Party and Minister of Trade and Supply outlined in an interview the 1950 plans of his Ministry. One of the chief aims of the 1950 Industrial production plan, plans for agricultural cultivation and the collection of agricultural products as well as foreign trade policy, was the abolition of food rationing except for fat and meat after the 1950 harvest. A problem which would receive special attention was the achievement of a uniform food price level in the "Free Shops", private retail shops and co-operative societies. A further primary aim was the ensuring of sufficient supplies to guarantee the 1950 food ration distribution requirements, by means of the exploitation of all possibilities for the improvement of meat and fat supplies offered by the further development of foreign trade. In order to realise these plans agriculture would have to make every effort, despite existing difficulties, to achieve pre-war yields, the maximising of internal food production being the foremost prerequisite to the raising of the standard of living of Eastern Germany. With regard to the relationship between Free Shops and private retail traders, the Minister pointed out that, if higher production of consumer goods was attained, private enterprises would be given the opportunity to increase their turnover. The fields of the three pillars of consumer supply, retail trade, co-operative societies and HO Shops, were defined in such a manner that each was left with sufficient scope of activity. Referring to the functions of the "Free Shops" Dr. Hamann said that apart from the only temporary functions of combatting the black market and drawing off surplus purchasing power, the excess profits of the HO organisation represented a valuable contribution to the reconstruction of Eastern Germany's economy. Without the HO sales of high quality goods at high prices a much heavier burden would be placed on taxation.

At the close of the interview the Minister touched upon the prospects of higher imports this year to ensure an improved measure of consumer goods supplies to the population. The acknowledgment of the German Democratic Republic had, he said, resulted in an extension of numerous trade agreements, but increased imports were dependent upon larger exports in order to avoid imports based on foreign credits.

5. 37% INCREASE IN INDUSTRIAL PRODUCTION IN SAXONY

The "TAEGLICHE RUNDSCHAU" carries an ADN report according to which the Minister of Economics in Saxony is stated to have announced that the overall industrial output in Saxony increased by 37% in 1949, compared with 1948. The production of the textile industry rose by approx. 95%. 10th January, 1950

6. IRON AND STEEL FROM WESTERN GERMANY FOR THE SOVIET ZONE

The "TAEGLICHE RUNDSCHAU" (SZSCC organ) reports that the second contract concluded by the Steel Works at Watenstedt-Salzgitter with the Eastern Zone for the delivery of iron, steel, electro-technical products and fireproof material to the value of D.M. 2.5 million has been approved by the competent authorities in Western Germany. Payment will be made through the clearing account of the Deutsche Notenbank with the Bank Deutscher Laender. According to ADN, the first consignment of approx. 60 tons of pig iron arrived at the nationalised "Sanar-Harner-Werken" in Blankenburg on 9th January. 11th January, 1950

7. NEW ROLLING MILL IN DOEHLEN

ADN reports that the construction of a new rolling mill, laboratory for chemical and technical research and a steel foundry is planned at the HUETTEN-WERK DOEHLEN near Dresden during 1950. 13th January, 1950

8. BAD QUALITY STEEL TUBES FROM THE STEEL WORKS AR RIESA

The "NEUES DEUTSCHLAND" (Berlin-Soviet) publicises complaints regarding the quality of tubes delivered by the steel works at Riesa to the "LOWA" (Association of Locomotive and Waggon Building Works). Of approx. 500 tubes supplied 300 had to be removed after testing, apart from those which did not stand up to flanging. As the steel works at Riesa has overcome its re-construction difficulties long ago and has gained a reputation by fulfilling its target ahead of time as well as by the generally high quality of its products, there is no excuse for such failures. 10th January, 1950

9. NEW "SUPER" STEEL WORKS IN BRANDENBURG NAMED

According to an ADN report published by the "TAEGLICHE RUNDSCHAU" the construction of the new "super" steel works now in progress at Brandenburg is to be carried out in several stages.

Three Siemens-Martin open-hearth furnaces are to be installed and in operation by the end of the year, the first by August 1st.

The new plant has been named "Volkseigene Industrievereinigung "BRANDENBURG" and the recruitment of the Work's labour force has already begun. 13th January, 1950

10. BAD QUALITY ROLLED PRODUCTS FROM OLBERNHAU STEEL WORKS

Under a "NEUES DEUTSCHLAND" special "AWAY WITH THE RUBBISH" feature, calling for complaints regarding instances of poor quality deliveries of East German products, a letter to the editor published on 13th January, states that Steel sheets supplied by the OLBERNHAU Steel Works produced between 30 to 50% waste owing to uneven rolling and bad cutting. Metallurgical output increases were a complete waste of time if allied to such a low standard of workmanship. 13th January, 1950

11. NEW CUPOLA FURNACE

ADN reports that a new cupola furnace has been put into operation at the iron foundry FRIEDRICHSHUETTE in TORGAU. 12th January, 1950

12. REDUCTION OF PRIME COSTS AT THE HENNIGSDORF STEEL WORKS

The "TAEGLICHE RUNDSCHAU" (SZSCC organ) reports that Herr STEINHEISSER, head of the steel works at Berlin-Hennigsdorf, has in close-co-operation with a group of workers, developed the "Steinheisser foundry trench", by the use of which a considerable quantity of manganese ore can be saved and prime costs reduced. 15th January, 1950

13. STEEL WORKS AT GROEDITZ WIN CHALLENGE BANNER

The "TAEGLICHE RUNDSCHAU" reports that the workers of the nationalised iron and steel works at Groeditz, which won the nationalised steel works and rolling mills competition in the castings group, have been awarded the challenge banner of the Central Board of the Trade Union of Metal Workers and D.M. 17,000 in recognition of their 1949 achievement. 15th January, 1950

14. PLANNED 1950 VVB "IKA" INCREASE IN ELECTRICAL ENGINEERING OUTPUT

The "MORGEN" (Berlin-Soviet) reports that the 37 works of the VVB "IKA" (Association of Nationalised Electrical Engineering Works) will increase their 1950 output by 62% by the building of new works and the extension of existing ones. Priority is to be given to the production of switches for which large foreign orders have been received. 12th January, 1950

15. PLANNED INCREASE IN THE BUILDING OF POWER GENERATING EQUIPMENT IN 1950

According to the "BERLINER ZEITUNG" (Berlin-Soviet), the 32 works of the Central Association of Nationalised Works for the Building of Power Generating Machinery (Zentrale Vereinigung Volkseigener Betriebe für den Energie- und Kraftmaschinenbau), which fulfilled the 1949 Production Plan by 140%, will increase their output in 1950 by approx. 35%. The capacity of several works including the "EKM Bermann "Borsig" Works in Berlin is to be increased; Borsig by 200%. Priority will be given to the production of boilers for the Eastern Zone power stations. 11th January, 1950

16. NEW POWER PLANTS

According to the "MORGEN", new boiler plants are to be installed in the "Rudolf Breitscheid", Power Station in Halle, in the "Gross Rayne" and "Grube Leopold" stations, for the purpose of increasing electric power generation in 1950. 12th January, 1950

17. PLANNED INCREASE IN GAS OUTPUT

The "BERLINER ZEITUNG" (Berlin-Soviet) reports that, by the installation of new equipment in the Western area of the Soviet Zone at the Grossgaserei Magdeburg and other gas works, gas output in 1950 is to be increased by 30%, as compared with 1949. 11th January, 1950

18. PRODUCTION OF ELECTRIC MOTORS AT BERLIN-HENNIGSDORF

According to the "TAEGLICHE RUNDSCHAU" (SZSCC organ), the nationalised Motor and Electro-technical Works ("Lokomotivbau und elektrotechnische Werke") in Berlin-Hennigsdorf, the first works in Germany to resume the building of electric motors after the war, fulfilled their 1949 target by 129.7%, producing 39 motors weighing 800 tons each, as well as motors for the mining industry, welding machines, electric trucks and insulating material. 13th January, 1950

19. PLANNED INCREASE IN OUTPUT OF THE HORCH WORKS

According to ADN, the Horch Motor Works in Zwickau (Saxony) will this year start mass production of a new type of 3 ton Diesel lorry and will increase production of tractors and spare parts. 12th January, 1950

20. ELECTRICAL INDUSTRY IN THE SOVIET SECTOR OF BERLIN

The "TAEGLICHE RUNDSCHAU" (SZSCC organ) reports a statement by Herr Bruno BAUM of the City Council of East Berlin, according to which 31% of the electrical industry in all Berlin is located in East Berlin, as compared with 18% in 1936. 15th January, 1950

21. 320 TRACTORS FOR MACHINERY LENDING CENTRES IN THURINGIA

ADN reports that 51 Agricultural Machinery Lending Centres in Thuringia are to receive 320 tractors in the course of this year from the nationalised "Ifa"-Tractor Works in Brandenburg, Zwickau and Nordhausen. In order to facilitate repair work, the Central Administration of Agricultural Machinery Lending Centres in Thuringia is allotting standard type tractors to the individual lending centres in that land. 9th January, 1950

22. COMPETITION OF TRACTOR WORKS

ADN reports that the three tractor works of the Eastern Zone, "Ifa"-Horch, in Zwickau, "Ifa"-Tractor Works, in Nordhausen, and "Ifa"-Tractor Works in Brandenburg, will be holding internal and inter-works competitions from 1st January to 31st March. This carefully planned competition held in co-operation with the Central Board of the Trade Union of Metal Workers, aims at fulfilling the Tractor Production Plan for 1950 ahead of time, at reducing prime and production costs and improving the standard of production. 9th January, 1950

23. INCREASE IN CAPACITY OF THE CHEMICAL INDUSTRY IN LAND BRANDENBURG

ADN reports the following extensions of nationalised works, announced by the VVB "CHEMIE", Land Brandenburg's Association of Nationalised Chemical Works. The Marienhuette in Fuerstenwalde will this month commence production of lithopone in the new wood distilling plant at Mellensee, in the district of Teltow, as also production of wood-tar, charcoal, and furniture stains. The

building of a second soot works in Oranienburg with double the capacity of the present soot works will be of particular importance to the Eastern Zone tyre industry. The "HOPFEGARTEN" nationalised vulcanization works will start the production of bicycle tyres in 1950, and plan to increase the number of moulds for the re-treading of tractor tyres. The nationalised works "Filmverwertung" at Fuerstenwalde will produce furniture stains on a large scale in order to meet the increased demands of the Land Brandenburg furniture manufacturing industry. 11th January, 1950

24. PRODUCTS TO BE EXHIBITED BY THE USSR AT THE LEIPZIG SPRING FAIR

According to an ADN report published by the "BERLINER ZEITUNG" (Berlin-Soviet), Russian exhibits at the Leipzig Spring Fair, which will occupy an approximate area of 20,000 sq.metres, will include machine tools, textile machinery, road building and agricultural machinery, tractors, motor vehicles, electric and steam locomotives as also transport aeroplanes. 13th January, 1950

25. NEGOTIATIONS REGARDING WESTERN IRON AND STEEL DELIVERIES TO THE SOVIET ZONE POSTPONED

The "MORGEN" (Berlin-Soviet) reports that, according to the Western news agency VWD (Vereinigte Wirtschaftsdienste G.m.b.H.), the negotiations in regard to a third contract for deliveries from the Reichswerke at Watenstedt-Salzgitter to the Soviet Zone have been indefinitely postponed. 11th January, 1950

26. CONTRACT FROM BULGARIA

"NEUES DEUTSCHLAND" (Berlin-Soviet) reports that under the terms of the German Bulgarian trade agreement the Engineering Works Bleichert in Leipzig have obtained a contract for delivery to Bulgaria of steel wire rope train accessories to the value of over ℳ 118,000. 11th January, 1950

27. EXPORT OF BOOKBINDING MACHINES

The "TAEGLICHE RUNDSCHAU" reports that the "BREHMER" Nationalised Machine Factory in Leipzig, in the "POLYGRAPH" Association of Nationalised Works, which specialises in the production of bookbinding machinery, considerably exceeded pre-war output in 1949. 30% of the "BREHMER" Works machine output was exported to a total of 25 countries, including the USA, Canada, Great Britain and the Dutch East Indies. 11th January, 1950

28. INCREASED 1949 FIREPROOF GLASS EXPORTS

According to ADN, the nationalised Schott Works in Jena trebled its 1948 exports during 1949, exporting its products, mainly fire-proof "JENA" Glass, to 26 countries. 10th January, 1950

29. KAOLIN FOR EXPORT

According to ADN, the nationalised Kaolin Works "SECK" in Kemmlitz, in the district of Oschatz (Saxony), produced 37,000 tons of kaolin in 1949. Foreign exports amounted to 5,700 tons; and 6,000 tons were sold to Western Germany. The target set for 1950 amounts to 39,000 tons of washed kaolin. 15th January, 1950

30. TOTAL OF CONTRIBUTIONS TO THE "STALIN GIFT FUND"

Contributions to the "Stalin Gift Fund" deposited in the "STALIN ACCOUNT" with the FDGB (Free German Trade Union Federation), reported on in issues Nos. 2, 3, and 5 of this review, are now claimed in an ADN announcement, to have totalled 3.56 million D.M. (E) by the 12th January. 12th January, 1950

B. ECONOMIC REVIEW OF THE WESTERN LICENSED PRESS

1. HIGHER PRICES IN THE SOVIET ZONE

According to the "TELEGRAF" (Berlin-British) the discontinuance as from 1st January, 1950 of all Eastern German Government subsidies will cause price increases ranging from 15 to 30%. 11th January, 1950

2. INCREASE IN REVENUE FROM TURNOVER TAX IN THE SOVIET ZONE IN 1949

According to the "TELEGRAF" (Berlin-British) Eastern Zone Revenue statistics disclose that 1949 revenue from turnover tax amounted to 60 billion D.M. (E) representing an increase of 15 billion D.M. (E) over 1948. 12th January, 1950

3. INADEQUATE SUPPLIES OF FUEL FOR SPACE HEATING IN EASTERN GERMANY

According to a DPA report carried by the "VOLKSBLATT" (Berlin-British) persistent reports from the Eastern Zone indicate an inadequate distribution of fuel for space-heating. No distribution whatsoever of brown coal briquettes is alleged to have been made to the population of Mecklenburg, and only two hundredweights in Leipzig since April, 1949. 12th January, 1950

4. NO URANIUM DEPOSITS IN THE HARZ MOUNTAINS

The "HANDELSBLATT" (Duesseldorf - British Zone) reports that, according to information given to British Authorities by Dr. FRICKE, Minister of Economics in Niedersachsen, experts deny that deposits of uranium containing ores exist in the Harz Mountains. The Soviet Wismut A.G. has recently started ore-drilling operations near Wernigerode, as Soviet experts are of the opinion that a seam of uranium ores stretches from Wernigerode via Ilsenburg to Goslar in the British Zone. 9th January, 1950

5. SHORTAGE OF LIQUID ASSETS AT THE BANKS IN THE SOVIET ZONE

The "TAGESSPIEGEL" (Berlin-American) reports that, according to a spokesman of the Deutsche Notenbank (Soviet Zone) Eastern Zone currency in circulation as at 31st December, 1949, amounted to 3.2 billion D.M. 204 million D.M. (E) were at that date held by the Deutsche Notenbank and a total of 764 million D.M. (E) by the Deutsche Notenbank and the Emissions- und Girobank. 12th January, 1950

6. FINANCIAL DIFFICULTIES OF EASTERN ZONE NATIONALISED WORKS

The "TELEGRAF" (Berlin-British) reports that the discontinuance of Government subsidies in the Soviet Zone has entailed serious financial difficulties for all nationalised works, which will result in many branches of Eastern Zone Nationalised Industry operating at a loss without any prospects of early improvement. 13th January, 1950

7. SPECIAL CONCENTRATION CAMPS SET UP IN EASTERN GERMANY TO HOUSE "REACTIONARY ELEMENTS" ACCUSED OF ECONOMIC CRIMES AGAINST THE NEW EASTERN GERMAN DEMOCRATIC ORDER

According to the "TAGESSPIEGEL" (Berlin-American) of 15th January, the Eastern Zone Police have set up special concentration camps to house "reactionary elements" accused of perpetrating economic crimes against the new democratic order. 15th January, 1950

PART II.

NEWS ITEMS RELATING TO WESTERN BERLIN

A. ECONOMIC REVIEW OF THE SOVIET-LICENSED PRESS

The signal was given during the period under review, for a further intensification of Soviet-licensed Press attacks on the Western Sectors of Berlin, by the statement "that unemployment in Western Berlin would disappear within six weeks of the unification of the four sectors of the City on an eastern democratic basis", attributed to the Eastern Propaganda Minister GERHART EISLER in reports of his Press Conference of 9th January, and by his assurance that "if as a result of the rising momentum of popular demand throughout Germany for a show-down, reflected in the news from all over the country that the German people are no longer prepared to passively countenance the present state of national emergency, 65 million freedom loving Germans rose against it, American resistance would melt away as it did in China, without recourse to the detour of civil war".

The Soviet-licensed Press has also taken full advantage of the statement attributed by the Western-licensed Press to the West Berlin City treasurer Dr. HAAS, when commenting on the monthly reduction of 5 million DM (W) made by the Federal Government of Western Germany in their promised 60 million DM (W) aid to West Berlin up to the end of March, that "1950 looked like being Berlin's blackest year since the end of the war".

The "TAEGLICHE RUNDSCHAU" editorial of 10th January under the caption "New phase in the campaign for unity", draws attention to the fact that unemployment in Western Berlin had now reached the highest figure recorded during the 1929/32 world economic depression.

This result of the idiotic and illogical splitting of Berlin into two opposed camps was both grotesque and senseless.

Western Berlin was no longer the "Symbol of Western Germany" as proudly claimed by the Western Press, but the symbol of unemployment, stagnation of industrial production, poverty, growing foreign debts, worry, of a political crime against the German people, and the symbol of the present state of national emergency.

On 11th January, "NEUES DEUTSCHLAND" carried an ADN report alleging that officials of the Economic section of the West Berlin City Council had declared that the only means of avoiding the complete collapse of industry in the Western Sectors of the City, the salvation of the workers of the electrical, metal, chemical and building industries, lay in the resumption of trade relations with Eastern Germany and the Eastern Sector of Berlin. The paper went on to say that there were now 335,000 unemployed and short-time workers in West Berlin, of which 100,000 unemployed and 16,000 short-time workers were registered in the Reinickendorf district in the French Sector of the City, mostly in the metal, chemical and building industries. Only four Reinickendorf works are alleged to be working full-time, 60,000 of the 68,000 employable workers of this district being without work.

"DIE WIRTSCHAFT" weekly Soviet-licensed economic periodical, of the 12th January, compares the complacent optimism regarding the economic recovery of the Western Sectors of Berlin expressed in the New Year messages

addressed by West Berlin politicians to the people of West Berlin, reflected by the whole of the Western Berlin Press, which proclaimed that "West Berlin was over the danger period" and that "the upward swing of West Berlin's economic life was in 'sight', with the "SOZIALDEMOKRAT's" editorial of 5th January on the "New danger to Berlin's economic recovery brought about by the Western German Government's cut in Berlin budget subsidies", and City treasurer's statement that "it looked as if 1950 would be Berlin's blackest year since the end of the war".

The paper states that neither 5 million DM (W) either way will make any appreciable difference to the catastrophic West Berlin budget deficit, though there might be some truth in the claim made by the West Berlin City Council to BONN that the 5 million cut in financial aid will make the continuance of unemployment benefits payments impossible.

The continued rise in West Berlin unemployment to 280,000 at the end of December is the final yard stick by which the economic crisis in the Western Sectors can be judged. Nor is there any hope of any reduction in the number of West Berlin unemployed. On the contrary, there is a rising tendency indicated by West Berlin's present restrictive export policy, which in the electrical industry has resulted in the announcement by the Telefunken Works in Schoeneberg of the dismissal of 250 workers on 1 January.

The article concludes by saying that if 1950 proves to be West Berlin's blackest year it will only be against the will of the people, who are determined not to allow the present policy of West Berlin's politicians, which is preventing the economic recovery of the Western Sectors which depends on the resumption of trade with Eastern Germany and Eastern Bloc countries, to drive hundreds of thousands of West Berlin unemployed, old age pensioners, artisans and tradespeople to complete destitution.

A sign of West Berlin's growing resistance against the policy of economic collapse is stated to be the setting up of an executive committee composed of masters of the manual trades from all four sectors of Berlin to establish a united Manual Trades Chamber for the whole of greater Berlin.

The "TAEGLICHE RUNDSCHAU" on 11th January states that according to reliable reports from West Berlin, during the three-month period August/October, inclusive, 416 West Berlin Works and factories stopped production entirely, 116 closing down completely.

The clothing industry was worst affected, 97 firms being involved, followed by 42 firms in the metal industry, 38 vehicle building works, and 37 electrical engineering works which closed down completely.

These figures exclude the considerably larger total number of small enterprises also forced to close down during this period.

B. ECONOMIC REVIEW OF THE WESTERN-LICENSED PRESS

1. WEST-BERLIN'S STRUCTURAL ECONOMIC CRISIS

Condensed from the "TELEGRAF" (Berlin-British) of 15th January

The monthly economic summary issued by the Economic Department of the West-Berlin City Council, for the month of December, 1949, confirms the economic difficulties of the Western Sectors of the City apparent at the close of the year.

On the positive side an overall increase in the value turnover of industrial production is reported, as also increases in bank deposits and revenue from taxation. Payments from Western Germany for goods purchased from West-Berlin increased during the month reviewed and the volume of Christmas retail trade was satisfactory measured on the moderate standard of West-Berlin's requirements.

On the negative side the number of persons gainfully employed dropped more during the month than during the two preceding months.

The conclusion of the monthly report is that improvement in the general economic situation is conjectural, under conditions of unchanged and continuing structural crisis.

The explanations offered for the continuation of economic tension are given as the time lag of several months at the earliest, between the receipt at the end of December, 1949 of financial aid allocations to Western Berlin and the time when new industrial investments can be expected to affect industrial productivity, as also that aid to Berlin measures approved by the Federal Government of Western Germany had not materialised by the end of 1949.

2. HIGHER ELECTRICITY CHARGES IN WEST BERLIN

The "TELEGRAF" (Berlin-British) reports new rates for electricity consumption announced by the BEWAG, West-Berlin Electricity Company, operative as from 1st February. Meter rentals will increase by 10 to 25%, though basic kilowatt-hour rates remain unaltered, heavy household consumers receiving a kilowatt-hour price reduction of between 2 and 4 pfennigs, accompanied by a higher meter rental charge.

PART III

NEWS ITEMS RELATING TO THE FEDERAL GERMAN REPUBLIC

AS REPORTED BY THE BERLIN AND EASTERN GERMAN PRESS.

A. ECONOMIC REVIEW OF THE SOVIET LICENSED PRESS

The new phase in the economic-political propaganda offensive against Western Germany, opened by the East German Propaganda Minister and Professor JUERGEN KUCZYNSKI, President of the Society for Soviet-German Friendship and Member of the Eastern Zone "VOLKSKAMMER" (Parliament) at the Office of Information Press Conference held in Berlin on 9th January, has been given extensive publicity by the whole of the Soviet-licensed Press on the lines outlined at the Press Conference and labelled the "organisation for action" phase which follows the "agitation" phase now at an end.

Apart from the statements applicable to Western Germany recorded in the introduction to Parts I and II of this Review, as having been attributed to the Propaganda Minister by the Press, he is also reported to have said that six months would be sufficient time in which to solve the mass unemployment problem in Western Germany after the unification of Germany on an eastern democratic basis. The Refugee problem would be considerably improved, and the present economic stagnation of Western Germany would be rapidly overcome as soon as the supply possibilities offered by the East from the Oder to Shanghai, were open to the whole of Germany.

Professor KUCZYNSKI in his statement to the press on the same occasion, supported the above opening statements with a statistical survey of the alleged economic instability of Western Germany.

The "TAEGLICHE RUNDSCHAU" report of the Press release states that the dry but damning figures quoted, convincingly traced the colonisation trends forced upon their respective German spheres of interest by the Western Allies and the measure of the state of German National emergency which these trends have led to.

Opening by quoting ADENAUERS New Year statement that "the economic prospects of Western Germany for 1950 were not particularly rosy", and the West Berlin City treasurer's comment on the cut in Western German Government's financial aid to Berlin, that "1950 looked like being the blackest year since the war for the Western Sectors of the City", Professor KUCZYNSKI quoted the following labour, wage, output, transport and foreign trade statistics:

Unemployment in Western Germany

June, 1948	442,000	(before currency reform)
December, 1948	743,000	
June, 1949	1,200,000	
December, 1949	1,700,000	(equal to the average figure during the 1929 - 1932 world slump.)

Unemployment in West Berlin

Highest recorded figure - December, 1949

288,000 plus 55,000 short time workers

every third employable person being without work.

In order to trace the line of development of the standard of living of Western Zone Workers, the speaker quoted the following figures:

In December, 1948 average nominal wages were 28% higher than in 1938, the cost of living having, however, increased during this period by 85%, making real wages 31% below the 1938 level.

OUTPUT

Man/hour output in the German mining industry developed as under:

1936 = 100
1947 = 57
1948 = 60
1949 = 65

which the speaker interpreted as stagnation in output, as the output per man/hour in the last month of 1949 was not higher than the average for the whole year.

A similar state of industrial stagnation developed in all other Western German industries as under:

1936 = 100
1948 = 67
1949 = 73

The overall economic position of Western Germany was stated to be disclosed by the 1949 production index which was stated to have been only 88% of the 1936 index figure.

Transport was quoted as having developed as follows:

GOODS TRAFFIC

September, 1948	17.8	million tons of freight
March, 1949	18.7	" " " "
September, 1949	17.8	" " " "

PASSENGER TRAFFIC

March, 1948	144	million passengers
September, 1948	100	" "
March, 1949	102	" "
September, 1949	92	" "

FOREIGN TRADE

Imports exceeded exports

in the first 11 months of 1948 by 1.1 milliard Marks,
in the first 11 months of 1949 by 2.9 milliard Marks

thus creating a debt of over 4 Milliards in 23 months. The infinitesimal increase in overall industrial production which was nothing other than stagnation, was purchased at the price of an enormous foreign debt.

There were persons who thought these debts to foreign countries would "never be repaid". This idea, according to KUCZYNSKI was pure "Millionaires' reckoning".

The German people, he said, were already paying back in unemployment, short-time work, and the lowering of the Western German standard of living.

He attributed this "catastrophic development" to the practically complete prohibition by order of the USA of trade between Western Germany and Eastern Germany, Eastern Europe and the Soviet Union.

Anyone against interzonal trade and trade between Western Germany and the East was against the interests of the German people.

Western Germany's trade with Eastern European countries including Russia in 1938 amounted to 15% of Germany's total foreign trade as compared with under 1% at the present time.

In conclusion the speaker referred to the forced trade turnover between Western Germany and the United States. 40% of Western Germany's present imports, he said, came from the USA as against 15% in 1936, but only one eighth of West German imports from the USA were covered by exports as against 50% in 1936.

B. ECONOMIC REVIEW OF THE WESTERN LICENSED PRESS

1. THE INTERZONAL TRADE AGREEMENT

Condensed from "DER TAG" (Berlin-British)
12th January, 1950

At a Meeting of the Western Berlin City Council Economic Policy Committee it was agreed that a tightening of the control of the movement of commodities between the Western Sectors and the Eastern Sector of the City was necessary.

Interzonal trade as a whole has hitherto not shown a very satisfactory development. The debit of the Soviet Zone amounted to 14.86 million clearing marks on 31st December, 1949. According to a statement of the Trustee Office for Interzonal Trade, D.M. 17.67 million were paid into clearing account by the Eastern Zone of which 80% were for iron and steel deliveries, as compared with Western German payments of 2.80 million clearing marks only. As the Western German Authorities have now sanctioned payments to the amount of 19 million marks, larger purchases from Eastern Germany may be expected shortly. Against these payment certificates Eastzonal export permits to the value of 25 million marks have been issued. After the first publication in Western Germany of the list of 35 million marks worth of goods to be imported from Eastern Germany the second list has now been published. With a value of 165 million marks it comprises the total quota of Eastzonal goods in group A.

As the Eastern Zone has now received supplies of grain from the USSR the delivery of 90,000 tons of grain to Western Germany provided for in the Frankfurt agreement may materialise, though delivery of the 100,000 tons of potatoes also provided for is as yet uncertain.

2. EFFORTS TO CONTROL INTERZONAL TRADE OUTSIDE THE FRANKFURT AGREEMENT.

Condensed from "DER VOLKSWIRT", economic and financial weekly, (US ZONE), No. 1, issue of 6 January, 1950

The Frankfurt Interzonal Trade Agreement provides for delivery of goods and services to be paid exclusively through clearing accounts of the Bank Deutscher Laender and the "Deutsche Notenbank" in the Eastern Zone. It is known that so far interzonal trade has not nearly come up to expectations, partly due to difficulties of procedure and partly on account of the incapacity of the Soviet Zone to deliver, its debit Interzonal Trade balance having reached the amount of almost 15 million. These handicaps of a general character have caused interested circles in East and West, in disregard of the trade balance, to attempt covering their requirements of goods by barter deals or payments in cash, both of which are prohibited in the Interzonal Agreement, but which, in spite of certain risks, apparently offer the advantage of quick transactions. To prevent them at the zonal frontier is hardly feasible, in Berlin it is quite impossible. Realising this fact, the Berlin City Council published a decree, approved by the Western Allies, at the end of December 1949 that deliveries from Western Berlin to the East will be licensed only if payment of the goods concerned can be proved or a permit for payment is submitted. Thus Western Berlin deliveries need no longer be settled through clearing accounts. This special regulation, which the Berlin City Council made at the suggestion of British Military Government, derives from the fact that Western Berlin's 33% participation in the interzonal exchange of goods, as provided for in the Frankfurt Agreement, has so far been negligeable. It is hoped that the new regulation will promote Berlin's trade, all the more so, as recently Soviet-zonal authorities do no longer show the negative attitude of some weeks ago towards business with West Berlin. On principle however, there are serious objections against this special arrangement which threatens to revive barter deals. Complications might arise from Berlin's special situation and its dependence on co-operation with Western Germany. Perhaps it would be advisable to find a new basis for the entire interzonal trade, but, due to deliveries from the Soviet Zone lagging behind, probably a new situation may arise which will soon entail new measures. On the other hand, intensified discussions of the Eastern-zonal Government with the USSR may lead to increased economic assistance from the Soviets who have already dispatched 30,000 tons of grain, first delivery, against a total of 380,000 tons promised for 1950 delivery to the Eastern Zone. It must not be overlooked that, perhaps, these new deliveries are to help the Soviet Zone in meeting its obligation of 40,000 tons of wheat and rye to be delivered under the Frankfurt Agreement in exchange for iron deliveries from the Western German Republic.

3. WESTERN GERMANY'S FAT SUPPLY SITUATION

Condensed from "DER VOLKSWIRT" (US Zone), 23 December, 1949

Due to the liberalisation of trade between Germany on the one hand and Holland, Norway and Austria on the other, three further sources of fat supply have been opened up. Extensive use has been made of the regained freedom of trade. During the past eight weeks since the announcement of the trade agreement with Holland, import applications for Dutch goods amounted to ℳ 150 million of which 65% were for foodstuffs. A similar trend may be observed in trade with other countries. However, the question is whether this volume of imports can be met by equivalent exports. If this is not the case we will one day be faced with the unpleasant fact of having to pay for our imports with free dollars. Although Germany had greatly desired the abolition of trade restrictions, a certain concern is already felt in regard to unlimited imports. German fat importing firms have expressed apprehension because the bulk imports of JEL were not carried through in June, July and August and, as a consequence, there are no reserves to fall back upon. In order to avoid such a situation in future

it has been suggested that a certain amount of stockpiling should be effected so as to meet a possible supply crisis.

In increased imports from free trade countries, the individual German importer incurs a certain risk as he has to deal directly with his foreign supplier and may pay too high prices for the goods which may then be left on his hands. To balance inevitable world market fluctuations, it should be attempted to cover German fat requirements by long-term contracts. German fat importers will in future have to be wary as foreign circles are attempting to veil the situation on the world market by numerous contradictory reports as to stocks, harvest prospects etc.

4. UNEMPLOYMENT AND LIBERALISATION OF FOREIGN TRADE

Condensed from "SOZIALDEMOKRAT" (Berlin-British), 8 January, 1950

Frankfurt Economic circles are of opinion that Western Germany's economic situation is still extremely unstable. This fact must not be overlooked despite the notable upward development due to Marshall Aid.

ERP imports of industrial raw materials have been stockpiled during 1949 so that there will be a decrease in these imports in the coming months until the termination of the Marshall-Plan Year 1949/50. During the first four months of the current ERP-year for instance, average monthly imports from the dollar area exceeded exports by $ 90 million, although ECA and GARIOA funds at disposal, when evenly distributed, only provide for average monthly imports of $ 60 million.

The high unemployment figure in the Federal Republic is regarded as a symptom of structural economic tension. A further increase is expected during the next few months not only due to the seasonal stagnation in the building trade and agriculture but also because of the lower imports of raw materials. As public funds, which have hitherto largely contributed to industrial development, are required to cover social services, Occupation costs and Aid to Berlin, the prospects for an extension of the investment programme are therefore not at all promising. It is also doubtful whether it will be possible in future to revert to short-term bank credits to the same extent as hitherto.

The liberalisation of foreign trade has led to a serious strain on the Western German balance of payments. The credit balance of Offset Accounts with the ERP-countries (excluding the sterling area) dropped from $ 81 million on 10 September to $ 27 million on 30 November 1949. In regard to the economic development and ERP-planning for the next few years, it is said that it would be better to forego the originally planned further improvement in food supply in the Federal Republic in favour of raw material imports with a view to preventing a further rise in unemployment.

5. STEEL ORDER FROM EGYPT

The "NEUE ZEITUNG" (Berlin-American) reports that the "Stahlunion Export GmbH" in Düsseldorf has received an order for 50,000 tons of steel rails to the value of £1,000,000 from the Egyptian Railways in Cairo. 15 January, 1950

6. INCREASE IN THE CAPACITY OF FISHERIES

According to the "WELT", the 'catch' capacity of the Western German fishing fleet was increased by 33% in 1949. 9 January, 1950

7. PRODUCTION OF MACHINERY IN WESTERN GERMANY

The "TAGESSPIEGEL" reports statements made by the Association of German Engineering Works according to which the value of machinery produced in 1949 amounted to DM 4 billion, i.e. 2.3 billion more than in 1948. Prices were reduced by 10% on an average but were still 80% above those in 1936. 10% of the output was exported. 15 January, 1950.

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SECRET

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ECONOMIC SURVEY

OF THE

SOVIET OCCUPIED ZONE OF GERMANY

THE IRON AND STEEL INDUSTRY

1 March, 1950

S E C R E T

50X1-HUM

ECONOMIC SURVEY

OF THE

SOVIET OCCUPIED ZONE OF GERMANY

THE IRON AND STEEL INDUSTRY

1st March, 1950

1st March, 1950

I N D E X

THE IRON AND STEEL INDUSTRY OF THE SOVIET OCCUPIED ZONE OF GERMANY

PART II (Cont'd)

PART III

In the paper under review iron and steel production proper and the rolling mills are dealt with in detail as are most related subjects. The paper consists of three parts. Part I summarises the position up to the end of the war; Part II gives an overall description of developments from 1945 to February 1950; Part III deals in some detail with the individual works.

Introduction

1. In comparison to the large concentration of iron and steel industries near the hard coal regions of the Ruhr and to a lesser extent of Upper Silesia, the iron and steel output of the Soviet zone is relatively insignificant. In 1936 the area now forming the Soviet zone accounted for only 1 per cent of total iron output of the Altreich and 6 per cent of its steel output. Pig iron production was very small because of the absence of suitable iron ore. The steel works were mainly Siemens-Martin furnaces using scrap and were therefore conveniently placed near the large industrial centres in Brandenburg and Saxony. In 1949 East zone production of pig iron was 3 per cent of the total achieved in the Federal Republic and steel output about 6 per cent.

2. Compared with Western Germany, the industry was only slightly affected by war damage, but in accordance with the Potsdam agreement almost all steel works and rolling mills were dismantled leaving only two plants with about 20 per cent of pre-war capacity intact. The pig iron installations were not dismantled, but in 1945/46 the production of pig iron and crude steel dropped to 50 per cent of capacity because of dislocation of transport and lack of spares and replacements.

3. When by 1947 the Soviet authorities had completed the greater part of their dismantling programme, reparations from current production assumed growing importance. Reparations consisted principally of engineering goods and it soon became obvious that due to the lack of basic steel products, reparations contracts could not be fulfilled unless either more steel was imported or the steel producing industry at least partly reconstructed. The Soviet authorities, therefore, in 1947 agreed to the reconstruction of some of the major steel works in particular those at Hennigsdorf and Riesa, and in 1948 and 1949 large contracts were placed with West German firms for the delivery of capital equipment. Actual deliveries were delayed by the blockade and counter-blockade during 1948, but partly made up during 1949 after lifting of the counter-blockade. In 1948 and 1949 additional reconstruction plans were drawn up and a number of small non-ferrous metal mills converted to rolled steel production. The number of Siemens-Martin furnaces and rolling mills were thus increased from 8 to 24 and from 6 to

/28 respectively.

28 respectively. New equipment was largely imported from Western Germany, but a certain amount was provided by works of the Soviet zone and by reconditioning such equipment as was left behind by the Soviet dismantling squads; in addition five small rolling mills were returned from Russia in 1949 against payment. Large capital investments are planned for 1950 and 1951 in order to increase the total number of furnaces to 33 by the end of 1950 and to 41 by the end of 1951 and the number of rolling trains is to be increased to 34 by the end of 1950.

4. Investment plans so far completed and those planned for the current year together total approximately 300 million DM. The following table outlines the progress of reconstruction in comparison with 1936 and the first post-war year. The 1950 targets are officially announced figures whilst the 1951 figures are preliminary assessments of the Metallurgical Planning Department.

Progress of Post-war Reconstruction in comparison with 1936

	Pig iron	Crude steel	Rolled Products
		(in 1000 tons)	
1936	200	1,200	900
1946	123	157	96
1949	249	585	434
1950 (Plan)	335	875	650
1951	?	1,300	1,100

5. Annual pre-war Soviet zone requirements of rolled steel are assessed at 2,5 - 3 million tons of which 40 - 50 per cent was covered by local production whilst the remainder came from Western Germany and Upper Silesia. 1949 requirements amounted to 1.1 million tons of which 40 per cent were indigenously produced. The remainder came largely from the U.S.S.R. and Western Germany. Poland and Czechoslovakia also made some contributions, but because of the counter-blockade which lasted up to May 1949, requirements were not fully met. 1950 requirements are assessed at 1.2 million tons, but will probably be higher because of the speeding up of the Two Year Plan. Since the zone's rolling mill output will only cover about 50 per cent of the planned requirements dependence on Western Germany and the U.S.S.R. for supplementary deliveries continues. It has not yet been possible to bring the rolling mill production programme into line with requirements as far as types of products are concerned. The bulk of the present production consists of rods, bars, sections and similar products. Sheet output is small and consists mainly of medium types, while thin sheet and plate remain in very short supply. Tube and wire production is minute and the quality of output has so far been highly unsatisfactory with much of the output being returned to scrap. The Soviet Commission in charge of approving reparations deliveries has been so dissatisfied with the standard of the steel produced that a special Order was issued making the use of high grade materials obligatory also for equipment normally made of ordinary Thomas steel. In contrast to general rises in iron and steel prices, reparations continue to be calculated at 1944 stop prices which are equivalent to costs fixed in 1936.

6. The development of the reconstruction programme in the iron and steel industry is adversely influenced to a large extent by the insistence of the Soviet authorities that only politically reliable personnel be placed in charge of reconstruction and production. This has often resulted in the appointment of inexperienced technicians to principal posts and consequent failure to organise production efficiently both with regard to volume and quality. In an effort to overcome this problem, a nucleus of prospective works managers is being trained at the Maximilianshütte works at Unterwellenborn, one of whom was recently appointed to take over the Hennigsdorf steelworks and another appointed to the new Brandenburg steelworks as technical manager. The training of apprentices has also been given a high priority. The greatly reduced efficiency of the steel industry is perhaps best illustrated by the fact that Soviet zone steelworks

steel works employed 12,800 workers in 1936, as against approximately 30,000 workers in 1949 when output amounted to only about half of the pre-war figure.

7. Because much of the reconstructed plant was salvaged or if returned from the U.S.S.R. was in a badly deteriorated condition and incomplete, constant makeshift repairs are necessary tokkeep the works in operation. Lack of skilled technicians at the furnaces, a severe shortage of gauging and proofing tools and the demand for ever increased output are further reasons for the production of low quality and faulty steel. Furthermore lack of high quality Ruhr coke has reduced the efficiency of the few available blast furnaces and has also affected output of the foundries.

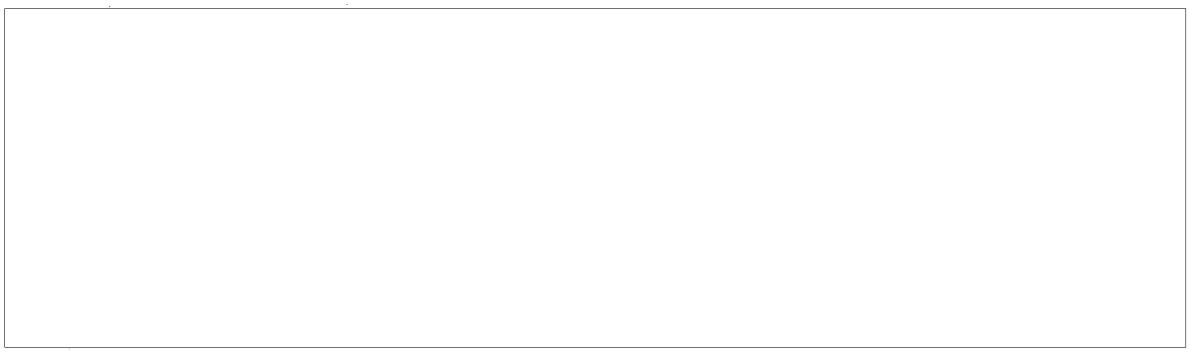
8. With the exception of the steelworks at Thale and two small rolling mills which form part of the S.A.G. "Marten" (Soviet owned), the iron and steel works in the Soviet zone are amalgamated into one nationalised combine which is operating at a heavy loss and is currently subsidised from the Zonal budget at a cost of 100 to 150 million Deutsche Mark per annum.

9. Strenuous efforts are now being made to co-ordinate the present serious anomalies within the industry, particularly to raise the quality of steel production. As the result of excessive reparations deliveries and exports, scrap especially the high quality grades, is in short supply and since 75 per cent of the steel production is Siemens-Martin and electro steel which because of the shortage of pig iron require 90 per cent scrap, the dwindling of stocks now presents one of the most acute problems.

10. Summarising the trend in the iron and steel industry of Eastern Germany it is apparent that, provided everything goes according to plan, the pre-war level of output will be reached by mid-1951. It may be assumed that by then the currently prevailing serious difficulties with regard to quality will have been overcome.

11. Last year's iron and steel output was sufficient only to meet 40 to 50 per cent of requirements. In the current year output will cover 50 per cent. The balance will as previously have to be imported from WesternGermany , the U.S.S.R. and to a lesser extent from Poland and Czechoslovakia. As production increases in accordance with the reconstruction plans, East German dependence on imports will diminish provided that the engineering industry as the biggest consumer is not expanded simultaneously at an equal rate.

12. Irrespective of the scale of enlargement of the steel industry however, Eastern Germany will continue even beyond 1951 to be dependent on imports of special steels and other high quality metallurgical products from the West. 50X1-HUM



THE IRON AND STEEL INDUSTRY IN THE SOVIET OCCUPIED ZONE OF GERMANY

STATUS OF INDUSTRY BEFORE AND DURING 1939-1945 WAR

Before the war the area which now forms the Soviet zone of Germany accounted for only about 1 per cent of the total German pig iron production. Its share in crude steel output was 6 - 7 per cent, and the corresponding figures for finished rolled products were 7 - 8 per cent. Pig iron production was particularly small because there are only few ore mines. Steel production was mainly based on the use of scrap and existed chiefly in areas with a highly developed industry, which continually supplied substantial quantities of this raw material. The following table summarises the pre-war position in relation to the total German output:-

TABLE I

Share of the iron and steel industry in the S.O.Z. in the pre-war production of Germany proper

Million tons

Area	Year	Pig Iron	Crude Steel	Finished Rolled Products
Germany proper	1936	15.3	19.2	13.4
Share of the Soviet Occupied zone	1936	0.2	1.2	0.9
Germany proper	1938	18.0	22.7	15.5
Share of the Soviet Occupied zone	1938	0.2	1.5	1.3

Pig Iron

The only pig iron producing plant of the Soviet zone is the Maximilianshütte at Unterwellenborn. Production is based on ores mined in the neighbourhood of the works, the ore having an iron content of about 44 per cent. It is rich in phosphorus (0.7 per cent) and contains appreciable quantities of silicic acid. Maximilianshütte had a pre-war capacity of 250,000 tons pig iron, but actual production amounted to only 149,000 tons in 1934, to 200,000 in 1938 and to a peak output of 253,000 tons in 1943.

Crude Steel

Owing to the small scale of pig iron production, only 12 - 15 per cent of the total crude steel output of the zone consisted of Thomas crude steel, which is produced from pig iron, the Maximilianshütte being the only producer with four converters of 12 tons capacity each. In 1936 the total output was about 100,000 tons, but increased considerably during the following years, reaching a peak of 180,000 tons in 1944. The works also produced relatively substantial quantities of electro steel.

Maximilianshütte and the other large steel works with the single exception of Eisenhüttenwerke, Thale, formed part of the Flick Combine, the fourth largest steel concern in Germany. In the Russian zone the Flick group owned the Maximilianshütte at Unterwellenborn and the steel works at Brandenburg, Riesa, Hennigsdorf, Gröditz, Döhlen and Lauchhammer, all of which formed part of the Mitteldeutsche Stahlwerke A.G., or subsidiaries of this company. In 1936 the Flick group accounted for 1.1 million tons of crude steel out of a total Soviet zone production of 1.2 million tons. In 1944 the corresponding figures were 1.45 million tons out of a total of 1.64 million. The Brandenburg and Riesa works were the largest, with a steel output of 400,000 and 330,000 tons respectively.

/All

All steel works of the Flick group, with the exception of Maximilianshütte, produced Siemens-Martin steel. They were erected near the large industrial centres where large amounts of scrap became continuously available, and at places easily accessible by rail and waterways.

The only large steel works outside of the Flick group was the Eisenhüttenwerke at Thale, which formed part of the Hüttenwerke, A.G. at Bochum in the Ruhr and which formed part of the Otto Wolf concern. Thale accounted for approximately 100,000 tons of mainly Siemens-Martin steel, equivalent to 8 per cent of the pre-war steel production of the Soviet zone. All large steel works of the zone also produced electro steel.

In addition to the above mentioned steel works, there existed a small number of large engineering works, which also produced some Siemens-Martin and electro steel. Most important among these was the firm Krupp-Gruson at Magdeburg, one of the principal subsidiaries of the Krupp concern.

A map showing the location of the principal iron and steel works of the Soviet zone is attached at Appendix 1. A survey giving the crude steel production figures for 1936, 1938 and 1944 is attached at Appendix 2, which also indicates the proportion of Thomas, Siemens-Martin and electro steel in the overall output. It shows that the steel production of the Soviet zone consisted largely of high quality steel and that in 1944 out of a total production of 1.64 million tons, Siemens-Martin steel accounted for about 73 per cent and electro-steel for 15 per cent. The table also illustrates the importance of the steel works of the Soviet zone to Germany's war effort. Production increased by 32 per cent between 1936 and 1944, reaching its peak in 1944, in contrast to developments in the Ruhr where output diminished after 1938. This development was due to the fact that pre-war capacities of the works of the Soviet zone had not been fully utilized, and that these works were less affected by British/American bombing than those in Western Germany.

Rolled steel and semi-finished and finished products

Before the war rolled steel output amounted to about 1.3 million tons per annum. All large steel works mentioned in the preceding section also had rolling mills. The Flick plant at Riesa, which was one of the largest in the zone, manufactured all types of rolled products, including seamless tubes. It also had a considerable output of castings and forgings for heavy engineering, in particular for heavy steel structures, such as bridges and ships, etc. During the war, this plant was also important in the production of semi-finsihed material for armaments such as special castings for U-boats and shell and bomb cases.

The rolling mills at Brandenburg were equipped for large scale production of sheet metal and plate particularly for shipbuilding, armour plating and for armoured fighting vehicles. During the war it operated closely with a State-owned armaments works adjacent to it, which produced hulls and turrets for tanks and assault guns.

Next in importance were the rolling mills of Hennigsdorf and Gröditz. Hennigsdorf produced sheet and Gröditz plate, in particular for the shipbuilding and vehicle industries. Both works also produced a wide range of castings and Gröditz particularly, supplied semi-finsihed products such as barrels and breech blocks, especially for 8.8 cm. naval guns. In addition, the firm operated three munition factories.

The Freithal works of Sächsische Gusstahlwerke was outstanding for its special high quality steel rather than for the quantity of production. It was one of the chief German shell factories and produced artillery shells of most calibres from 7.5 to 21 cm.; in addition, it had a considerable output of special steel in the form of steel cylinders for compressed gases, and armour plate.

Maximilianshütte produced sheet for shell bodies, apart from a wide range of other rolled products.

/The

The steel works at Döhlen had one of the most modern munition factories in Germany. Its rolling mills produced rails, spring steel, armour plate, bars for motor vehicles, ships and aircraft components.

Eisenhüttenwerke Thale produced armour plate, shell and bomb cases, steel sheet for aeroplanes and motor vehicles, castings for U-boats and tanks and a wide range of other commodities, such as steel helmets, bullet-proof vests, metal munition boxes and cooking utensils for the forces. Thale had a considerable capacity of thin sheet production and specialised in the manufacture of enamelled goods.

All of these armaments works were removed or destroyed in accordance with the Potsdam agreement.

Raw Materials

Apart from the ore mines at Unterwellenborn, there are no mines of any importance in the Soviet zone, the mine at Thale being practically exhausted. Steel production is based principally on the processing of scrap of which there was formerly an excellent supply available from the highly industrialised district of Saxony, Saxony-Anhalt and Berlin. Coke for the blast furnaces came principally from the Ruhr and some from Upper Silesia and ferrous alloys (ferro-manganese, ferro-silicon, etc.) from West and Southern Germany or were imported. The table attached at Appendix 3 sets forth the foreign trade of Germany in ferrous alloys for 1936. Siemens-Martin pig iron, which, apart from the scrap, had to be processed in Siemens-Martin furnaces, also came from Western Germany and Upper Silesia.

Manpower

The total number of workers employed in 1936 was 12,389; total turnover for the industry in the same year amounted to 146.3 million Reichsmark. These figures represent 6 per cent of the total for Germany.

Manpower figures for 1939 show an increase to 14,339, i.e., 1,950 more than in 1936, which reflects the higher production. The table below shows the share of the Soviet zone in manpower production and export within the Reich for 1936.

TABLE II

Share in the total sales and exports of Germany proper in 1936

	Germany Proper	Soviet Zone	Per cent
Employed persons	201,614	12,389	6
Total sales (in 1000 DM)	2,381,049	146,323	6
Export * (in 1000 DM)	335,039	11,416	3

* Export statistics vary according to sources. The Statistical Year Book of the iron and steel industry provides the following data: Total exports 296.9 million RM.
Soviet zone share 12.0 " "

An analysis of the employment figures of the iron and steel industry of the Soviet zone is given in Table III and shows the dominant position of Saxony.

/Table III

TABLE III

Employees in the iron and steel industry in the S.O.Z. in 1939 (Official Census of enterprises)

	Blast furnaces	Steel works	Rolling mills	Forging and press works and cold rolling mills	Total
Brandenburg	-	654	1,622	339	2,615
Saxony-Anhalt	-	135	858	865	1,858
Saxony	-	1,330	3,890	3,336	8,556
Thuringia	580	420	21	220	1,241
Mecklenburg	-	-	-	69	69
	580	2,539	6,391	4,829	14,339

Prior to the outbreak of war, the question of labour supply and the supply of trained personnel presented no problem. During the war many works lost skilled personnel to the Armed Forces, and as the war grew progressively longer and the fighting commitments of the German forces increased, it was impossible to replace manpower from the free labour market. As a result of this the direction of labour to the iron and steel industry and the use of foreign pressed labour and prisoners of war were resorted to, to a very great extent, resulting in a loss of output and efficiency. In the last phase of the war, only 30 per cent of the pre-war workers were still available, the remainder consisted of directed labour.

Industrial Organisation

Prior to 1933 the iron and steel industry of Germany proper was integrated in various organisations, the head being the Verein Deutscher Eisen und Stahlindustrieller (Association of the German Iron and Steel Industrialists). Cartels formed throughout the Reich were represented by the syndicates Roheisenverband (Pig Iron Federation) and the Stahlwerksverband (Federation of Steel Works), to which the works in the Soviet zone also belonged. In 1933 the Government formed the "Economic Group for the Iron and Steel Industry", which was dominated by the leading iron and steel industrialists and which took over many of the tasks previously carried out by the Federations. In 1943 the Reichsvereinigung Eisen (State Association for Iron and Steel) was created with a preponderance of State concerns which controlled and allocated all raw materials and finished products.

Distribution and Foreign Trade

Up to 1936 the sale of iron and steel products was free of State regulations, the Stahlwerksverband sold the syndicated products, i.e., semi-finished materials, rails and bar section steel. Similar delivery conditions were in force for the other products.

Prices were pegged at 1936 levels and this was maintained throughout the war. When after 1945 production was resumed, the pre-war price level was strictly kept in force until recently when, under a decree dated 19 January, 1950, the following price increases were introduced:

Pig iron and crude steel	by 40 per cent
Semi-finished rolled products	by 50 per cent
Finished rolled products	by 70 per cent

A detailed table of pre-war and post-war prices is attached at Appendix 4.

During the war, distribution was regulated by an extremely complicated procedure; the most important consumer groups, particularly the Army, but also

/railways

railways, and other war priority consumers and exports, were allocated a quota of the expected production in the form of quota slips. They were able to dispose of these quotas by transferring to the suppliers of the finished products the quota slips or iron permits (later in the simplified form of iron cheques), to enable the supplier to claim for replacement of the goods provided under the quotas. The back-flow system worked finally to the rolling mills which received the permits from the processors and could then obtain the corresponding quantities of steel from the works. A detailed system of book-keeping in the individual works made it possible to control the development of this system until, during the later stages of the war, the interruption of communications prevented accurate recordings.

The share of the Soviet zone in the import and export of iron and steel in 1936 is shown at Appendix 5. Imports were negligible, as the bulk of the ore imports arriving at Baltic ports were destined for processing in factories, which are situated in the territories ceded to Poland. Exports from the Soviet zone amounted to approximately 3 - 4 per cent and were slightly less than in the Reich's average and consisted mainly of rolled products. More than 80 per cent of the total exports consisted of bar and section steel, sheet and tubes. Owing to concentration of production on armaments, there were practically no exports during the war.

PART II

DEVELOPMENT OF THE IRON AND STEEL INDUSTRY IN THE SOVIET ZONE AFTER CESSATION OF HOSTILITIES

1. Early Post-war Period - War Damage and Dismantling

In 1945 when Germany surrendered and the Soviet forces occupied Eastern Germany, the iron and steel industry underwent immediate changes. During the war it had suffered negligible damage, mainly to buildings and transport installations, such as cranes, etc., but the works themselves were practically intact. Output in the steel works and rolling mills maintained a remarkably high level up to the closing stages of the war. The industry was only slightly affected by loss of working hours in connection with air-raids and production came to a standstill only during the final phase of the war, when the area of the Soviet zone became an operational theatre. Estimates place losses of capacity due to war damage at less than 5 per cent.

Immediately on assuming control of the Eastern zone, the Russian authorities ordered the dismantling of all iron and steel plants except for Maximilianshütte at Unterwellenborn and the Eisenhüttenwerke at Thale. From these two works military installations were removed. Some other installations in these plants were also dismantled, but not removed, and were again reconstructed in 1946. The rest of the industry was efficiently and thoroughly dismantled, so that by 1946 the above named were the only two remaining steel producing plants. Maximilianshütte had four blast furnaces, four Thomas converters and two electric furnaces; Thale three Siemens-Martin furnaces and two electric furnaces. At the end of the war there existed 4 Thomas converters; 33 Siemens-Martin furnaces; 10 electric furnaces, apart from a small number of Siemens-Martin and electric furnaces of modest capacity attached to engineering works for the production of cast steel. Together the two remaining works represented slightly less than 20 per cent of former steel capacity (see Appendix 6). By order of the SMA, ownership passed to a Soviet-owned company (SAG) and the plants operated under direct control of the Russian authorities. Maximilianshütte was subsequently handed back to the German authorities because of continuous production difficulties.

Dismantling fell into two groups:

(a) Disarmament programme; affecting all departments which manufactured armaments.

(b) Reduction of industrial capacity; resulting in the complete dismantling of the greater part of the basic matallurgical works.

/To

To the first group belong those works' sections outlined in Part I, which produced e.g., armour plating, tank turrets, ammunition, guns, etc.; to the second group belong the steel works and rolling mills at Brandenburg, Hennigsdorf, Riesa, Gröditz and Döhlen.

Because of the complete dislocation of transport and the activities of Soviet dismantling squads, it was not until 1946 that preliminary work for the resumption of iron and steel production was resumed in Maximilianshütte at Unterwellenborn and Eisenhüttenwerke at Thale, both of which began to operate in March 1946. With the progress of dismantling and particularly from 1946 onwards, reparations from current production assumed growing importance. However, these deliveries soon proved unsatisfactory, because there was no longer an adequate iron and steel basis for the engineering industry, which was one of the principal sources of reparations in support of the U.S.S.R. Five Year Plan. In 1947, therefore, it was decided that the iron and steel industry should be reconstructed at least to a certain extent. These plans were revised from time to time and in their latest version provide for a pig iron capacity about 50 per cent higher than before the war, and a crude steel capacity which should slightly exceed 50 per cent, and by 1952 reach 75 - 80 per cent of the pre-war capacity. These developments are described in more detail in the following sections:

2. Development of Production Plans and Output from 1946 - 1950

(a) Pig Iron

Pig iron production was only resumed in the early months of 1946 and the following table illustrates the progress up to the present time:

TABLE IV

Production of pig iron in quarter years for 1946 - 1949

(in tons)

Pig iron	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
1946	8,146	34,046	38,886	41,975	123,053
1947	28,578	35,722	28,952	38,263	131,515
1948	42,977	42,584	43,631	52,847	182,039
1949	56,761	52,900	63,000	76,649	249,310

The above table shows that after initial difficulties in 1946, output maintained a comparatively steady level throughout that year, increasing slowly from 34 - 42,000 tons per quarter. 1947 did not see any real progress; output in the first quarter was rather low as a result of transport difficulties connected with the severe winter. The improvements in the second quarter 1947 could not be maintained because the Maximilianshütte was handed back by the Soviet authorities to German control and as a result, lost its privileged position with regard to raw material supplies, transport and labour allocation. Although on the surface production appears to have been 10 per cent higher in 1947 as against 1946, this increase was due only to the fact that the plant operated throughout the year compared with about 10 months operation in 1946. These poor results in the face of great efforts to increase output, were due mainly to transport and technical difficulties caused by overall deterioration of plant, shortage of spares and replacements and low efficiency of labour. Production was often interrupted for makeshift repairs because of lack of replacements formerly obtained mainly from West German firms.

The continuous difficulties with pig iron production eventually induced the German authorities to appoint Professor Sedlaczekas Director-General of Maximilianshütte. He is a well-known expert who, under Hitler, played a leading part in the

/iron

iron and steel industry. During the war he was in charge of the Hüttenwerke at Thale. In 1947 Sedlaczekinitiated a general re-organisation of the plant and prepared an overall programme of reconstruction and technical improvement, which would have produced considerable results during 1948, had not the interruption of the interzonal trade adversely affected the supply position of the works.

Early in 1948 Maximilianshütte completed the reconstruction of a blast furnace which came into full operation in March 1948. However, the interruption of supplies of Ruhr coke proved a considerable handicap and up to the last quarter 1948 prevented an increase in pig iron production. When eventually Ruhr coke was replaced by large scale deliveries of coke from Czechoslovakia and Silesia and, although not equal in quality to Ruhr coke, the overall output was gradually stepped up by about 20 per cent and for the first time, exceeded the 50,000 ton level. This increase in quantity was partly the result of a production drive (aetivists movement), which was successful largely at the expense of quality.

During the second part of 1949 production increased spectacularly owing to the resumption of interzonal trade. Imports of new plant and of spares etc. from Western Germany led to improved production methods and the total output during 1949 finally reached 250,000 tons or 30 per cent more than in the preceding year. which equalled the war-time peak.

These figures are, however, less favourable if compared with production plans. In June 1948, when the Two Year Plan was drawn up, the pig iron targets for 1949 and 1950 were set at 300,000 and 360,000 tons respectively. Under the impact of the counter-blockade, which had made it impossible to fulfil the much smaller target for 1948, it was decided to curtail the 1949 programme to 200,000 tons of pig iron. This revised target, necessitated by the impact of the counter-blockade, was eventually considerably exceeded, as can be seen from above Table IV.

It is now intended to install a fifth blast furnace in Maximilianshütte which should come into operation during the first half of 1950 and, together with a general improvement in the efficiency of the plant in connection with various investments described in part III, is expected to increase pig iron capacity to about 335,000 tons in the current year. This is slightly less than was anticipated for 1950 when the Two Year Plan was first drawn up. The new target has been set up on the assumption that Maximilianshütte will in the near future obtain at least a certain proportion of Ruhr coke.

In Table V below, pig iron production is analysed according to the various types used for the production of Thomas steel, castings, etc.:

TABLE V

Breakdown of pig iron production
(in tons)

Year	Thomas pig iron	Foundry iron	Spiegeleisen
1946	93,405	29,648	-
1947	106,315	25,000	-
1948	130,956	42,212	8,871
1949*	170,000	60,000 - 65,000	15,000 - 20,000

* Preliminary figures based partly on estimates. Official figures have not yet become available.

(b) Steel

The crude steel industry in the Soviet zone lost approximately 80 per cent of its pre-war productive capacity of 1.75 million tons through dismantling. The

/dismantling

dismantling process affected all works except the Eisenhüttenwerke at Thale and the Maximilianshütte at Unterwellenborn, which retained their full capacities. Attached at Appendices 6 and 7 are tables showing the pre-war capacity of the steel works of the Soviet zone and the effects of the dismantling programme.

Steel production at Thale and Unterwellenborn recommenced early in 1946. Both works were then under Soviet control as SAG's. At Thale output reached about 50 per cent of capacity and 40 - 45 per cent at Maximilianshütte. No significant progress was made during the first two post-war years, and the apparent increase in production from 157,000 tons in 1946 to 175,000 tons in 1947 was due solely to the fact that in 1947 the works operated twelve months as against ten months in 1946. This is illustrated by the table of quarterly production attached at Appendix 8. Slight progress was made in Thale owing to the continuous support this works received from the Soviet authorities.

The slow progress in 1946 and 1947 was due to transport difficulties, lack of replacements, shortage of raw material and skilled labour. In the case of Maximilianshütte a further set back occurred when early in 1947 the plant was handed back from Soviet administration, and thus lost all privileges in respect to raw material and labour supplies.

When in 1947 the dismantling programme had been completed and Soviet efforts subsequently began to concentrate on obtaining reparations from current production, the inadequate steel capacity of the Soviet zone soon proved the principal obstacle in the engineering field. It was, therefore, decided that the steel industry should be rehabilitated to a certain extent by improving the existing two steel works and by the reconstruction of the dismantled plants. The expansion of steel production at Maximilianshütte to full capacity was dependent on sufficient pig iron supplies, but at least during 1948 plans to this effect were not successful because of the counter blockade. Expansion of production at Eisenhüttenwerke Thale was similarly affected. Only after West German supplies had been replaced by imports from Russia and her satellites did the output of steel increase.

Apart from allowing full use to be made of existing capacities, the SMA agreed to the reconstruction of part of the dismantled steel works at Riesa and Hennigsdorf. Six open hearth furnaces were to be built at Riesa with a total capacity of 200,000 tons per annum and, according to the latest information, this figure will be increased to eight, apart from two electric furnaces which are also planned for the current year. Hennigsdorf was to obtain four open hearth furnaces and one electric-arc furnace with a total capacity of 120,000 tons per annum. The programme was to be completed by the end of 1949, and together with Maximilianshütte and Thale, provide a total capacity of 700,000 tons by 1950.

Meanwhile a production target of 400,000 tons of ingot steel was laid down for 1948. A few months later in June of that year when the Two Year Plan was announced, it was decided to increase the total steel production of the Soviet zone to 875,000 tons by 1950. This figure exceeded the originally planned capacity by 175,000 tons. Therefore plans to provide for additional open hearth steel works at Gröditz, Döhlen, and Brandenburg, were subsequently developed, on factory sites of former steel works completely dismantled after 1945.

Production programmes for 1948-50 and actual output are summarised below. For 1948 two target figures are given. The first figure represents the original plan; the second, a revised and reduced target established in the latter part of 1948 under the impact of the counter-blockade.

TABLE VI

Steel ingots - Target and output

in 1000 tons

	German works		Soviet AG. Thale		Total Soviet zone	
	Target	Output	Target	Output	Target	Output
1948	320/253	201	80	75	400/333	276
1949	425	465	110	120	650	585
1950	755		120		875	

In 1948 the German controlled works achieved only 62.5 per cent of the original or 80 per cent of the reduced target; the Soviet A.G. at Thale being privileged as to raw material supplies and receiving highest priority in all deliveries from the U.S.S.R., almost fulfilled its production target. The greatly increased 1949 target was even exceeded by about 5 per cent. This spectacular increase in steel production is analysed in the following table, which shows the development at individual works:-

TABLE VII

Development of production in individual works
(in 1000 tons)

	1948	1949
SAG Thale	75.0	120
Maximilianshütte	137.4	180
Riesa	24.8	170
Hennigsdorf	39.9	105
Gröditz, etc.	-	10

The production increase of almost 50 per cent in the Soviet A.G. at Thale was due in the first place to better raw material supplies from the Soviet Union. A contributory factor also was the supply of replacements and spares from Western Germany, which greatly improved the factories' efficiency.

The improved output of the Maximilianshütte reflects the growing pig iron production at the plant. Output in the current year is expected to increase further. The effects of the reconstruction of the steel works at Riesa and Hennigsdorf became fully effective in the latter half of 1949. Riesa in particular will further increase its steel output in 1950 since the last three of its six open hearth furnaces came into operation during 1949, the sixth one in September. It can be assumed, therefore, that production at this plant will increase by about 50 per cent during 1950.

The steel works at Gröditz is still in the initial stages of production and output for this works has been estimated. At the Gröditz plant the first open hearth furnace started operating at the end of August 1949: a second open hearth furnace came into operation in the middle of November, and two further furnaces will be completed by April 1950. When the works is in full operation, it should reach its pre-war output of 80,000 tons per annum but, according to available reports, it is probable that not more than 60 - 70 per cent of this figure will be produced in 1950. The works at Döhlen near Freithal began operating only in October 1949 and no capacity figures are yet available. It will mainly produce cast steel.

Attached at Appendix 9 is a production survey for the individual steel works summarizing in figures the progress of reconstruction. In 1949 Maximilianshütte achieved 80 per cent of its pre-war peak production. Thale, the works which had been most favoured by the Soviet authorities, even surpassed the pre-war level by about 10 per cent. Hennigsdorf which had been completely dismantled and only reconstructed since 1948, achieved 60 per cent of the pre-war peak figure, and the Riesa works which had also been completely dismantled, 45 per cent of the pre-war maximum. In 1949 the total steel output of the Soviet zone amounted to slightly less than 60 per cent of the 1936 total and to 42 per cent of the war-time peak. This comparatively small output, in spite of the good results of Maximilianshütte and Thale, is mainly due to the complete dismantling of the Brandenburg steel works, which was the largest in the Soviet zone.

Under new investment plans prepared when the East Zone Government was established, it was decided to reconstruct the Brandenburg steel works with ten Siemens-Martin furnaces of 100 tons load capacity each, and an annual output of

/500,000 tons

500,000 tons Siemens-Martin steel. Total expenditure will amount to about 130 million DM. The Central Control Committee has been put in charge of the reconstruction of this factory which means that it will receive highest priority in raw materials, labour and transport. The factory is to be completed during 1951. The first Siemens-Martin furnace is scheduled for operation on August 1, 1950, and further blast furnaces are to start production on October 1, November 1, 1950 and January 1, 1951.

According to a recent statement by the Minister of Industry, Selbmann, the number of Siemens-Martin furnaces is to be increased during 1950 from 24 to 33. It is known that this includes four for the Brandenburg works and two for the Gröditz works, and possibly two for Riesa. It has not been possible to establish the location for the ninth furnace, but it is possible that it is planned at one of the steel foundries. The 1949 figure of 24 also includes seven small Siemens-Martin furnaces at foundries and engineering works.

If investments proceed according to plan, it should be possible for the Soviet zone to achieve its 1950 steel target. However, this will not only depend on the progress of investments, but to a considerable extent on the availability of raw materials and equipment from Western Germany, the Soviet Union and Eastern European countries. It will depend particularly on the availability of steel scrap for the Siemens-Martin works which need no less than 90 per cent of the output figures. Owing to large reparations deliveries to the Soviet Union during the early post-war years and exports to satellite countries, scrap is now in very short supply. Scrap requirements doubled in 1949 against 1948 and will increase by another 60 - 70 per cent in the current year. The Soviet zone authorities were also obliged to conclude large export deals with Poland and Czechoslovakia and the Soviet Union, in order to secure deliveries of metallurgical goods essential for the Two Year Plan. During November 1949 alone, export orders to the extent of 162,000 tons were accepted, and by the end of that month the zonal authorities held orders for no less than 544,000 tons for delivery to countries in the Soviet orbit.

The Metallurgical Planning Department of the Ministry of Industry recently raised strong objections against further scrap exports, and pointed out that not only will scrap exports have to be stopped completely in 1950, but imports from Western Germany and from the Western Sectors of Berlin will become imperative if the production plans for 1950 and 1951 are to be achieved.

The Soviet zone is also short of pig iron and foundry iron, which has so far been supplied in substantial quantities by the Soviet Union and satellite countries. The Soviet Union in particular, exported 80 - 100,000 tons per annum during the last two years, and the Soviet zone authorities hope that these supplies will at least continue on the same level.

High quality Siemens-Martin and electro steel always played a considerable part in the iron and steel production of the Soviet zone, because the steel works of that area were in the first place planned for the utilization of scrap. Before the war only 42 per cent of the total steel production in the Soviet zone consisted of Thomas steel and 58 per cent of Siemens-Martin and electro steel. In 1949 the share of Thomas steel amounted to only 24 per cent. Of course, in comparison with pre-war standards the quality of Siemens-Martin and electro steel was poor.

Below the steel production is analysed according to types. The 1950 target figures are based on as yet unconfirmed information:

TABLE VIII

Breakdown of annual steel production in 1000 tons

	Thomas steel	Open hearth steel	Electro steel	Total production
1948	106	120	50	276
1949	140	375	70	585
1950 (target)	200	580	95	875

On the occasion of the official foundation of the steel works at Brandenburg on February 15, 1950, Selbmann gave steel output and production plan figures which were considerably higher than those quoted above. He added that his figures comprised both ingot and cast steel, which is rather misleading, because the term cast steel, in contrast to steel castings, includes not only the finished castings, but also the waste which is very considerable in this process. A comparison between the above output and target figures, and Selbmann's figures is made in Table IX:

TABLE IX

Comparison of production and target figures in 1000 tons

	1 9 4 9			1 9 5 0		
	Selbmann statement	Ingot steel production	Difference	Selbmann statement	Ingot steel plan	Difference
Thomas steel	140	140	-	200	200	-
Siemens-Martin steel	450	375	75	870	580	290
Electro steel	119	70	49	180	95	85
	709	585	124	1,250	875	275

Selbmann only gave the figures for Siemens-Martin steel and total steel output. The Thomas and electro steel figures were calculated accordingly. To interpret the above figures, pre-war statistics may be useful. Germany in 1936 produced 593,000 tons cast steel and out of this 351,000 tons steel castings. The corresponding peak figures during the war were 1.5 and 0.9 million tons. As can be seen from these figures, actual finished output corresponded to 60 per cent of cast steel used in the process. From available information it is known that the ratio between cast steel and finished goods is less favourable now owing to a very high proportion of wastage in the process of casting.

In 1949 steel casting production amounted to about 60 - 65,000 tons which, considering the high wastage, would have required 120 - 130,000 tons of cast steel. This would well correspond to the difference between the ingot steel figures shown in Table VIII and Selbmann's statement. The difference between the 1950 plan figures appears rather high (375,000 tons), as it would correspond to a total of almost 200,000 tons steel castings, which target would about equal the 1939 East zone production.

It is known that the cast steel output is to be greatly expanded during the current year, and that for instance, the steel works at Hennigsdorf alone are planning to produce 40,000 tons of steel castings in the current year. A considerable volume is planned to come from the steel works at Freithal, which are being reconstructed, quite apart from other smaller steel foundries attached to engineering works, such as Krupp-Gruson at Magdeburg. Selbmann's figures for 1950 in any event appear rather high, and it is possible that a certain amount of double counting has occurred. The cast steel and steel castings production of the Soviet zone is not included in the present study.

Selbmann also announced that after the completion of the present investment programme, including the steel works at Brandenburg, the total steel output will amount to 1.67 million tons per annum. This figure appears to include 1.3 million ingot steel and 370,000 tons cast steel, and can be achieved by 1952 provided that the new works at Brandenburg can by then be brought into full operation.

(c) Rolling mill products

The total pre-war capacity of the rolling mills in the Soviet zone was approximately 1.4 million tons, 80 per cent of which were dismantled after the war.

/The

The only two works exempted were SAG Eisenhüttenwerke at Thale with a capacity of approximately 100,000 tons of sheet per annum, and Maximilianshütte at Unterwellenborn with an annual capacity of about 200,000 tons of rolled products, such as sections, rods and bars. As in the case of pig iron and crude steel, production in the rolling mills was not resumed after the war until the second quarter 1946. Output in that year amounted to 96,000 tons and in 1947 to 116,000 tons, representing 40 per cent of capacity. The apparent increase in 1947 was due to the fact that the mills operated during the full four quarters, as opposed to only three in the previous year. When in 1947 the Soviet authorities decided to partly rehabilitate this industry in order to satisfy their reparations requirements in engineering goods, they instructed the German authorities to step up production in the existing two works to capacity, and to reconstruct the dismantled rolling mills at Riesa and Hennigsdorf. To carry out this programme, it was necessary to improve the equipment of Thale and Maximilianshütte and to place comprehensive contracts for machinery and other installations with West German firms. These contracts included orders for cogging mills, sheet and wire mills, electrical plant, etc.

In view of the urgent need for quick production increases, it was furthermore, decided to produce rolled steel at rolling mills which formerly specialised in non-ferrous metals. Three of these works at Ilsenburg, Olbernhau and Aue and a small rod rolling mill at Eberswalde together with seven rolling trains all of small capacity, were restarted. This had relatively little effect on the overall supply position. In 1948 they produced only 20,000 tons of finished rolled steel whilst Thale and Maximilianshütte in that year almost doubled their production against 1947, reaching a total output of 191,000 tons.

The reconstruction of Hennigsdorf and Riesa was considerably delayed through the counter blockade, and important parts of the equipment ordered in Western Germany have still not been delivered. The first rolling train at Hennigsdorf was completed in 1948, but owing to technical difficulties, actual production did not begin before 1949. In that year five more rolling trains were installed and the last one began operating in January 1950. The reconstruction plans for Riesa were likewise delayed and output for 1949 exceeded the target only because rolled products, other than those planned such as rods were produced in order to show a satisfactory output at least in quantity, whilst actual planned production, particularly seamless tubes, so far proved an almost complete failure. By far the largest part of the tube output had to be rejected and was useful only as scrap metal. This is the reason why large orders for seamless and other high grade tubes continue to be placed in Western Germany. Both Riesa and Hennigsdorf are the cause of considerable concern to the Soviet zone planning authorities. Hennigsdorf's rolled products have a very bad reputation among Soviet zone engineering works and the exceedingly high percentage of rejected products were the principal causes for the change of emphasis in the production drive from 'quantity' to 'quality'.

The very unsatisfactory production results in respect of quality must be borne in mind when assessing the spectacular "statistical progress" publicised during the last two years, and reflected in the following table:

TABLE X

Number of available rolling trains

Location of plant	1946	1948	1949	1950
Thale	3	3	3	4
Maximilianshütte	3	3	3	4
Hennigsdorf	-	1	6	6
Riesa	-	-	2	4
Kirchmöser	-	-	2	2
Burg	-	-	1	2
Gröditz	-	-	1	1
Dresden	-	-	-	1
Ilsenburg	(1)	1	2	2
Auerhammer	(4)	4	6	6
Eberswalde	(2)	2	2	2
	13	14	28	34

As shown in above table, six rolling trains were available after dismantling of the steel works had come to an end. In addition seven rolling trains previously engaged mainly on processing of non-ferrous metal, (shown in brackets). By 1948 14 rolling trains had become available by conversion of these seven trains and the reconstruction of one rolling train at Hennigsdorf. In 1949 14 additional rolling trains were reinstalled. The principal new rolling trains were built by factories in Western Germany. A few smaller ones were reconstructed in Soviet zone plants, and the following five small rolling trains consisted of equipment previously dismantled and removed to Russia, and later handed back to the Soviet zone:

	Capacity in tons p.a.
Small section rolling train Hennigsdorf	10,000
Seamless tube rolling mill Riesa	8,000
Thin sheet rolling mill Kirchmöser	14,000
Plate rolling mill Kirchmöser	20,000
Wheel rim rolling mill Grödítz	15,000

The U.S.S.R. also handed back a tube-butt welding plant of 8,500 tons capacity p.a. to Riesa, and sections of a wire train which was installed at Hennigsdorf at the end of 1949. In addition, it is intended to erect rolling mills at the Brandenburg steel works, but these plans are unlikely to mature before 1951.

Altogether the investment programme for improvement, expansion and reconstruction in the iron and steel works, rolling mills and ancillary plant during the period 1948/51 will amount to about 300 million DM Out of this 131 million have been allocated for the Brandenburg works: about 40 - 50 million each for Riesa and Maximilianshütte, and the remainder for Hennigsdorf, Grödítz and Kirchmöser, apart from some smaller allocations to the rolling mills at Burg, Auerhammer and Ilsenburg.

Reconstruction of the rolling mills at Grödítz, Burg and Kirchmöser will be reflected in terms of output only in the course of 1950. These reconstruction plans were initiated in a period when the Soviet zone felt the full impact of the counter blockade, and no definite time table could be set up for the completion of the rolling mills at Hennigsdorf and Riesa.

Grödítz specialises in wheel rims, one of the bottlenecks in the Soviet zone, whilst Kirchmöser is intended eventually to become one of the principal suppliers of plate. Burg will specialise in thin sheet hitherto mainly produced at Thale, and largely reserved for use in reparations contracts to Soviet Russia. The recently completed wire rolling train at Hennigsdorf is the first of its kind in the Soviet zone and, when in full operation, should relieve import requirements from Western Germany.

The progress in the reconstruction of rolling mills in the Soviet zone is summarised in the following table of quarterly production figures 1946/49. The figures cover only production in German works, and exclude SAG Thale which, in 1949 accounted for an additional 90,000 tons. A similar survey for the individual works is given at Appendix 10.

TABLE XI

Quarterly production of rolled steel products in German works (excluding SAG Thale)

(in thousand tons)

	Production					Target Plan
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year Total	
1946	3.2	21.1	24.0	27.7	76.0	
1947	18.7	25.9	23.7	27.9	96.2	
1948	34.5	32.9	36.1	49.1	152.5	174
1949	62.5	72.5	93.0	115.0	343.0	356

Because of the counter blockade measures 1948 production did not live up to plans and whilst output in the first half year of 1949 was still unsatisfactory, it later increased rapidly to 96.5 per cent of the target, or more than double the volume produced in 1948. It is intended to increase the output of rolled steel to 650,000 tons in 1950, which is feasible provided all existing works operate satisfactorily and additional rolling mills come into operation according to plan. So far the prospects are not favourable for several reasons, viz.:

(a) the steel works are experiencing considerable supply difficulties;

(b) the new rolling mills are partly re-erected far away from the steel works because existing halls and foundations had to be used although this choice of location further burdens the overtaxed transport system.

(c) the quality of rolled steel is very unsatisfactory, and can be improved only if additional equipment is forthcoming from Western Germany.

One outstanding example in this field relates to the only existing tube rolling mill of the zone at Riesa, which has been in operation for almost nine months without so far achieving any satisfactory results. After lengthy makeshift improvements, it was recently decided to purchase supplementary equipment from the Ruhr, but although the contract has been placed for some time, the supplier firm has not started with the construction of the equipment, because the East zone authorities have made no advance payments.

Attached at Appendix 11 is a survey of the existing and planned rolling mill capacities in the Soviet zone. The table does not yet include the planned rolling mill at Brendenburg, which will not be built before 1951, and for which sufficient details are not yet available. The table also excludes a small rolling mill which was built at the Reichsbahn repair shop at Dresden and which started up in January 1950 and produces spares and components for the Reichsbahn. There have also been reports, as yet unconfirmed, that a rolling mill will be built at the steel works Döhlen. This works, however, will concentrate largely on the production of cast steel for its own foundries.

A steel balance plan for 1949 is attached at Appendix 12. It gives details on the production of semi-finished and finished rolled products as they were planned. Certain items such as seamless tubes produced at Riesa do not appear because the resumption of tube rolling was only decided on during 1949. The same applies to the production of rolled products at Kirchmöser, Gröditz and Burg, which works only began operating in the closing stages of 1949.

In spite of its rapid expansion, the rolling mill capacity of the Soviet zone remains quite inadequate. According to the original Two Year Plan, zonal requirements were assessed at 1.1 and 1.2 million tons respectively for 1949 and 1950. Actual production in 1949 was approximately 40 per cent of requirements. Import figures are not complete, but from available information they can be assessed at approximately 300 - 400,000 tons, including deliveries from Western Germany which increased rapidly in the last quarter of the year. Requirements therefore, probably were satisfied to 70 - 75 per cent, but the full results of this comparetively satisfactory state of affairs will only be felt in the current year, because a considerable part of the imports from Western Germany came too late to be of consequence in 1949.

Steel requirements in 1950 will be higher than originally anticipated under the Two Year Plan. Therefore, it can be assumed that production in the Soviet zone works will satisfy less than 50 per cent of requirements even if the targets are achieved.

According to a statement by Minister Selbmann, steel requirements for 1951 will increase to 2 million tons. It appears that this figure, in contrast to those for 1949 and 1950 also includes cast steel and is thus too high. However, it is clear that if the planned expansion of the engineering industry is to

/materialise

materialise, the Soviet zone will not be able to satisfy its iron and steel requirements from internal production, even after the Brandenburg works, including its rolling mills are complete. By 1952 import requirements will probably be substantially reduced, except for special rolled steel products, such as seamless tubes, wire, high quality alloy steels, etc.

For the time being the rolling mill production programme is rather unbalanced and will continue to remain so during 1950. Apart from the sheet production of Soviet A.G. Thale, which is largely reserved for reparations requirements, the rolling mills in 1949 produced mainly rods, bars, sections, etc. These items accounted for 90 per cent of the total production of all nationalised rolling mills, and approximately 10 per cent represented sheet, mainly of the medium type. So far production of thin sheet and plate has been very small. The same applies to the production of seamless tubes, which amounted to approximately 5,000 tons. It is anticipated that in 1950 seamless tubes will account for 15,000 tons; sheet for 50,000 tons; wire for 30,000 tons; wheel rims for 15,000 tons; and rods, sections, bars, etc. for 450,000 tons.

On the occasion of the foundation of the Brandenburg steel works, Minister Selbmann gave output figures for rolling mills considerably in excess of those mentioned above. He stated that actual production in 1949 amounted to 520,000 tons and the target for 1950 was 931,000 tons, against the above quoted figures of 434,000 and 650,000 tons. Selbmann's figures are, however, utterly misleading because they include both semi-finished and finished rolled products. It appears that in an attempt to bolster up production figures, the latest zonal statistics not only count finished rolled products, but also sales between rolling mills of semi-finished products. By this method of double counting the statistics can be made to show increases at will.

RAW MATERIALS

Pig Iron

Pig iron production in Maximilianshütte is based on the nearby ore mines Schmiedefeld, Wittmansgereuth and Gross Kamsdorf. In addition ores are also obtained from the Mines 'Am Büchenberg', and 'Braunesumpf' which, in the early post-war years, when pig iron production at Maximilianshütte was small, supplied their ores to iron works in the British zone, but since the blockade deliver to Maximilianshütte. Details of the individual mines are given at Appendix 13. Ore output is shown in the following table:

TABLE XIII

Post-War Iron Ore Production
(in 1000 tons)

Iron ore	Target	Production	
1947	200	220	
1948	250	267	
1949	355	380	(partly estimated)
1950	370		

The above quoted quantities are quite insufficient to meet current requirements and the deficiency has to be made up by the use of scrap. Formerly Maximilianshütte used considerable quantities of West German and imported ores of high phosphorus content because Thuringian iron ore is comparatively poor in phosphorus and does not yield good quality Thomas pig iron. In recent years the deficiency of phosphorus was made up by the admixture of apatite imported from the U.S.S.R. The preponderance of Thurigian ores in the production also made it necessary to erect special dressing plants.

In 1949 Maximilianshütte required more than 300,000 tons of coke and in the current year will need 400,000 tons. (This figure is calculated for Ruhr coke). For the time being, however, the works have to use Polish and Czechoslovakian coke which is less favourable because of its high sulphur content. In consequence coke consumption is larger and the capacity of the blast furnaces is reduced accordingly.

The lime requirements of Maximilianshütte are met by three nearby quarries which are the largest in the Soviet zone, with an estimated deposit of 3 million tons at 87-94 per cent CaO.

The works possess two pit furnaces, each with an average daily output of 6 tons; one with a capacity of 23 to 26 tons; and one ringoven of 25 tons per day. The main quarry supplies the works by a cable way carrying 68 waggons, each of btween 12 and 15 cwt. daily. The other two quarries can produce 600 to 800 cwt. "Weisskalk" per day. The "Weisskalk" has a CaO content of 79-84 per cent. Total production is approximately 1,400 cwts. per day.

The pig iron requirements of the Soviet zone cannot be fully covered by the production of Maximilianshütte as it produces only sufficient pig iron for its own Thomas steel production and, in addition some small quantities of foundry iron and Spiegeleisen, manganese pig iron used in the steel production. The zone, therefore, has to import considerable quantities of steel pigs and pig iron for foundries, in particular hematite iron. These imports now originate mainly from Western Germany and the U.S.S.R., as can be seen from the following table:-

/TABLE XIV ...

TABLE XIV

Soviet Zone Pig Iron Imports
1946 to August 1949
(in tons)

Year	Western Germany	U.S.S.R.	Poland	Totals
1946	46,535	-	-	46,535
1947	48,502	-	-	48,502
1948	18,279	100,075	30,001	148,355
Jan. to Aug. 1949 (partly estimated)	50,000	80,000	20,000	150,000

Scrap

More than 75 per cent of the total steel production of the Soviet Zone consists of Siemens-Martin and electro steel. Scrap is therefore the principal raw material for the Soviet Zone steel works and immediately after the war it was available in ample quantities. However, the Soviet Military Authorities took several million tons scrap as reparations and in 1947 established a special Commission in order to further accelerate scrap deliveries to Russia. As a result of these exports to the U.S.S.R. and to other countries, in particular Poland and Czechoslovakia, stocks dwindled rapidly and with the progress of reconstruction of the steel works, scrap has become a scarce commodity, particularly as regards high quality types.

The following table XV shows the scrap collection plan and deliveries to the U.S.S.R. :-

TABLE XV

Post War Scrap Collection Plan

Year	Collection plan	Thereof to U.S.S.R.
	(in tons)	
Mid 1945 - end 1946	1,200,000	1,200,000
1947	2,000,000Ø	1,300,000
1948	1,600,000	1,000,000 *
1949	910,000	250,000
Total	5,710,000≠	3,750,000

* plus 300,000 tons Poland, Czechoslovakia and Belgium.
≠ 1948/49 collection plans were exceeded by about 10%, the excess quantities are carried as stock.
Ø Fell short by about 250,000 tons.

U.S.S.R. thus received about 3.75 million tons of good quality steel scrap during the period mid-1945 to December 1949 and the heavy decline in the yield during 1949, in spite of special measures, clearly illustrates the growing shortage.

Zonal requirements in 1948amounted to 300,000 tons and in 1949 to about 500,000 tons. In the current year they are expected to reach approximately 900,000 tons, which reflects the increased needs of the rapidly expanding iron and steel producing works and foundries. At the same time exports still /

have to be maintained to the U.S.S.R., Poland and Czechoslovakia. Czechoslovakia now refuses to supply high quality rolled steel and engineering products unless steel scrap deliveries are made in return. In November 1949 an aide-memoire was prepared by the Planning authorities for the metallurgical industry, pointing out that the reconstruction of the steel industry could only be successful if scrap exports were immediately stopped. The same document proposes that trade agreements be concluded at an early date for scrap deliveries from Western Germany and Western Berlin, in addition to the 50,000 tons included in the Frankfurt agreement. However, owing to the steadily increasing shortages of steel scrap in Western Germany, and particularly in Western Berlin, it is now quite improbable that East zone imports from the Western German territories can be expanded.

On February 2nd, 1950, a decree was issued concerning the organisation for scrap collection. It is illustrative of the growing supply difficulties and rules that all stocks of steel scrap throughout the Soviet zone are to be considered as impounded. The scrap has to be offered for sale to the newly established Handelszentrale Schrott (central trading office for scrap), which operates under the direct control of the Ministry of Industry. Furthermore, the decree established that scrap transports have highest priority and that the Ministry of Reconstruction is to give all assistance in speeding up collection. More than 60 million DM have already been allocated to this Ministry for the special purpose of rubble clearing under the 1950 budget. As a large proportion of the scrap is costly to recover, it has been decided to create a special fund to meet special expenditure. Furthermore, 1 million DM have been reserved for propaganda purposes in order to arouse public interest in the handing over of scrap; 25 million DM have been reserved for subsidising scrap collecting and further amounts will be made available in order to subsidise scrap prices. Premiums will be granted to scrap collectors exceeding their targets.

Manganese

A further bottleneck in steel production is the shortage of manganese. Western Germany produces some manganese, but the bulk is imported from abroad. Very small quantities are now being mined in the Soviet zone at Graberg near Weimar, where no more than 30 tons per month are produced. The ore has 48 per cent manganese content, but is expensive due to the primitive methods of extraction.

Up to the end of 1947, the electro-smelting works at Lippendorf processed large stocks of manganese ore imported from Hungary during the war and produced therefrom refined ferro-manganese (65 per cent manganese, 10 per cent carbon) needed by the steel works and foundries, and for the production of welding electrodes, etc. These stocks are believed to have since been exhausted.

At the end of 1947, the Soviet authorities claimed 5,000 tons of manganese concentrates (42 per cent), and 30,000 tons of manganese ore (25 per cent), which Germany had taken from Nikopol during the war, and which were stocked in the Western zones. The concentrates were returned to the Russians, but the counter blockade temporarily interrupted delivery of the ore.

Quarterly requirements for 1950 are at least 2,000 tons of ferro-manganese, equal to about 4,800 tons of manganese ore. Current imports of ferro-manganese from Russia are on a small scale and negotiations with Hungary for the supply of 10,000 tons of ore which were unsuccessful in 1948, led to a contract in 1949. New contracts are under negotiation and it may be assumed that the supply position, difficult as it is, will not actually lead to steel production difficulties.

Dolomite

Another important material for the Siemens-Martin steel works is dolomite. It is produced at SAG Thale and at Wunschendorf, Thuringia. In order to meet its own requirements SAG Thale in 1948 installed a sintering plant for dolomite. Under the Two Year Plan the Wunschendorf plant is to be

/expanded .....

expanded to eight furnaces with an output of approximately 25 tons each per day. By the end of 1949, six furnaces were in operation. As the new Siemens-Martin furnaces will not come into operation until late in the year the shortage of dolomite is not yet acute.

ORGANISATION OF INDUSTRY

Except for the steel works at Thale, which remains under direct Soviet control and the two small rolling mills of the Dresden Reichsbahn repair works and Hoffmann and Motz at Eberswalde, all steel producing plants and rolling mills have been incorporated into a nationalised concern named VVB 'Vesta' (Association of People Owned Works 'Vesta').

The works of the Vesta combine, with head offices at Leopzig, are directed in a very cumbersone, bureaucratic and expensive manner by the Main Office for Metallurgy in the zonal Ministry of Economics. Within the Main Office for Metallurgy each of the larger works is represented by one section, whilst the smaller enterprises are grouped into a special section. These sections are resposnible for the following functions:

(a) overcoming objective and subjective difficulties and ensuring that reconstruction plans are adhered to and targets reached;

(b) raising the productivity of labour;

(c) introducing progressive wages according to achievements; furthering the activist movement;

(d) designating responsibility within the works for the proper application of the various functions;

(e) conferring with the departmental heads of other steel works in conjunction with the planning department of VVB Vesta.

A very detailed system of statistical returns has been introduced, including ten daily returns from all zonal works giving details of production and consumption of important raw materials; monthly returns of target fulfilment quarterly returns of target fulfilment and a detailed report on reconstruction and production progress.

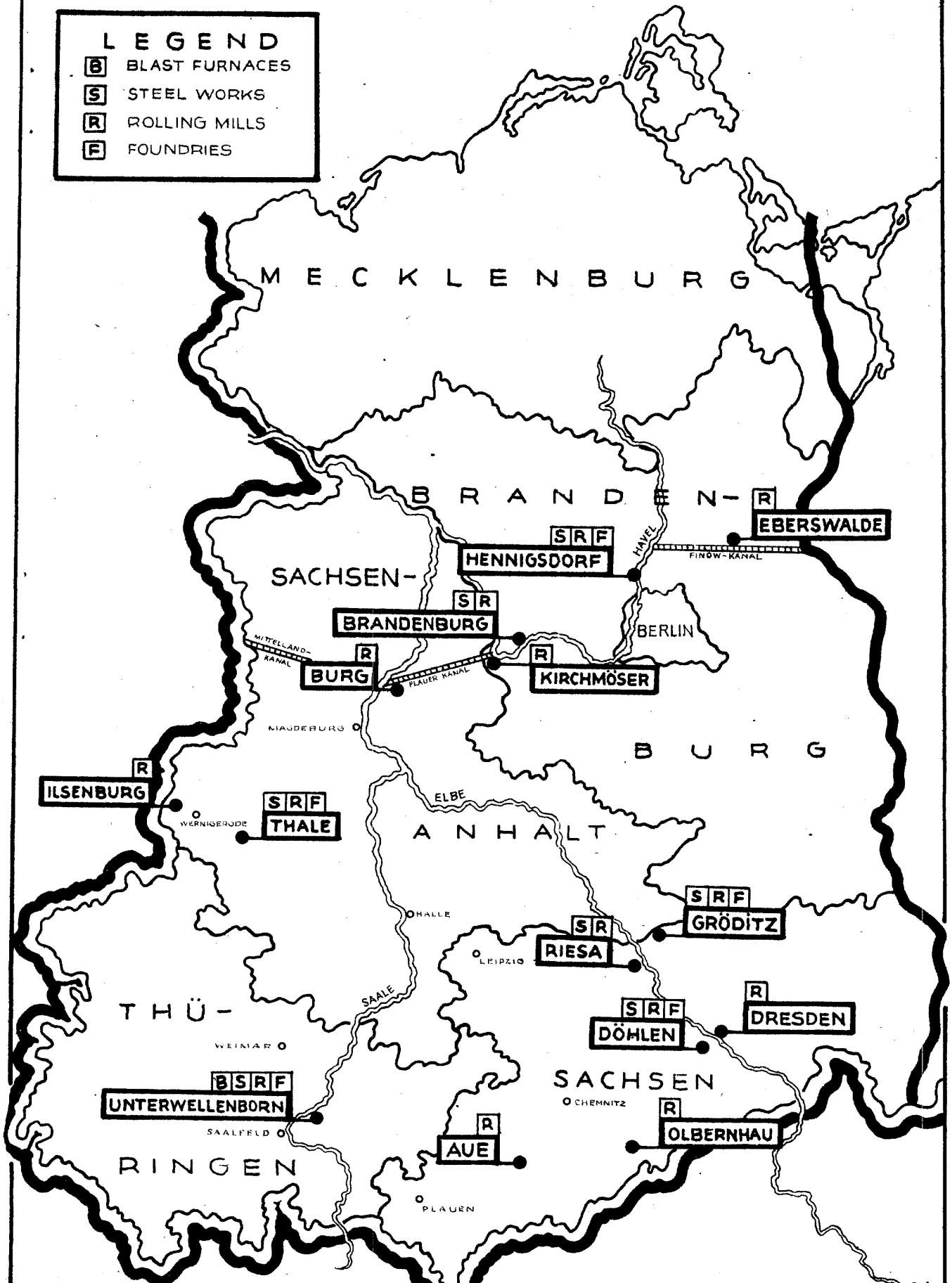
Attached at Appendix 14 is a list of the nationalised iron and steel works. As can be seen from this list, the group also comprises a small number of plants engaged on ancillary production not covered in this paper.

In connection with the general expansion of the steel industry, the number of workers of the V.V.B. 'Vesta' has increased to approximately 25,000 workers. Of this total Maximilianshütte and 'Riesa' account for 6-7,000 workers each and Hennigsdorf for 4-5,000 workers. The overall employment figures are expected to increase further as a result of the reconstruction of the steel works at Brandenburg, on which at present 2,000 building workers are employed. The above quoted total, excludes S.A.G. Thale with 5,000 - 6,000 workers.

The iron and steel trade is almost exclusively in the hands of nationalised trading firms, which were formerly part of the leading German iron and steel concerns. They have been amalgamated under the name "Leipzig Iron and Steel Trade Office, Leipzig" (Leipziger Eisen und Stahl Handelskontor). This firm, together with the Metallurgical Branch of the State-controlled Deutsche Aussenhandelsgesellschaft, is in charge of iron and steel imports for the nationalised concerns. The requirements of Soviet A.Gs. are under control of a trading department of the occupation authorities at Karlshorst, who also use the services of the Deutsche Aussenhandelsgesellschaft.

All former industrial and trade organisations have been abolished.

LOCATION OF THE IRON AND STEEL INDUSTRY IN THE SOVIET ZONE 1949



Appendix 2

PRODUCTION OF CRUDE STEEL IN THE SOVIET ZONE

(in 1,000 tons)

Soviet Zone	1936 Steel Ingots	1938 Steel Ingots	1944 Steel Ingots
Thale	97.7	110.6	103.3
Maxhütte	117.6	219.5	227.4
Hennigsdorf	150.8	164.2	148.0
Brandenburg	267.2	335.9	410.4
Gröditz	65.5	80.0	137.3
Riesa	312.0	340.2	329.2
Lauchhammer	xx	xx	6.4
Sächs. Gusstahlwerke Döhlen	169.9	194.2	196.8
Krupp, Magdeburg	20.0 +	25.0 +	29.4
Krautheim, Chemnitz	15.0 +	20.0 +	25.7
Stahl-und Eisenwerk, Frankfurt/O	- +	- +	13.0
Schaffer & Budenberg, Magdeburg	8.0 +	10.0 +	10.2
	1,223.7	1,499.6	1,637.1

\+ Estimated

xx Included in Hennigsdorf

ANALYSIS OF 1944 PRODUCTION

Soviet Zone	Thomas steel	Siemens-Martin steel	Electro-steel	Bessemer steel
Thale	-	82.1	21.2	-
Maxhütte	180.4	-	47.0	-
Hennigsdorf	-	133.8	14.2	-
Brandenburg	-	340.7	69.7	-
Gröditz	-	96.4	28.3	12.6
Riesa	-	329.2	-	-
Lauchhammer	-	-	4.7	1.7
Sächs. Gusstahlwerke Döhlen	-	164.8	32.0	-
Krupp, Magdeburg	-	17.0	12.4	-
Krautheim, Chemnitz	-	11.2	-	14.5
Stahl-und Eisenwerk, Frankfurt/O	-	13.0	-	-
Schäffer & Budenberg, Magdeburg	-	-	10.2	-
	180.4	1,188.2	239.7	28.8

This shows that the output of iron and steel increased considerably between 1936 and 1938 with a comparatively slight increase from then to 1944. Between 1936 and 1944 Maximilianshutte almost doubled its output of crude steel, and in the same period the output at Hennigsdorf, Brandenburg, Gröditz and Riesa increased by approximately 25%.

Appendix 3

Foreign Trade in Ferro-Alloys

Old Reich 1936

Country	Import								Export							
	Ferro-Alloys Group A 1)		Ferro-silicon		Ferro-Alloys Group B 2) Ferro-manganese		Ferro-chrome		Ferro-Alloys Group A 1)		Ferro-silicon		Ferro-Alloys Group B 2) Ferro-manganese		Ferro-chrome	
	t	1000 RM	t	1000 RM	t	1000 RM	t	1000 RM	t	1000 RM	t	1000 RM	t	1000 RM	t	1000 RM
United Kingdom			3.7	3	24.8	9			294.8	47			316.0	26	655.3	192
France			599.8	226											3 168.1	10 726
U.S.S.R.																
Norway	174.5	19	9 675.3	2 518	376.4	70	1 762.1	1 114								
Sweden	69.0	16	6 440.1	1 462	532.3	90	2 209.5	1 691	60.3	12						
Switzerland	687.2	285	753.4	215	11.2	2	32.1	14	406.1	32			46.5	27	40.4	26
Austria	20.1	6	917.3	148												
Italy			1 034.8	340	7.2	1			272.0	22			396.2	47	126.8	348
Jugoslavia			385.7	134			246.5	147	78.3	17					599.8	1 174
Rumania													157.4	24		
Turkey									101.0	13			1 010.3	134	66.3	39
South Africa													66.0	8		
India																
Dutch East Indies																
Brazil																
Australia													248.0	34		
Czechoslovakia							78.5	79	35.2	7					51.5	159
Holland									312.4	24			47.0	21	30.0	86
Poland			10.3	4					186.9	46						
Denmark													7.5	4	66.2	291
Luxemburg													6 434.8	681	30.7	34
Hungary	9.9	19														
Belgium			17.4	3	9.0	5			1 297.5	82			1 845.2	262	237.5	490
Finland			274.7	58			100.1	201					3 650.5	385	225.9	285
USA	1.6	1							508.0	104			264.2	28		
Japan																
other countries							165.1	88	442.4	69	33.3	16	271.8	146	87.1	367
Total	962.3	346	20 112.5	5 111	960.9	177	4 593.9	3 334	3 994.9	475	33.3	16	14 761.4	1 827	5 385.6	14 217
Grand Total	962.3	346	25 667.3 t		8 622 000 RM				3 994.9	475	20 180.3 t		16 060 000 RM			

Note: 1) Group A Ferro-silicon with less than 25 % silicon
Ferro-manganese " " " 50 % manganese
Ferro-chrome " " " 20 % chrome

2) Group B Ferro-Alloys with a higher alloy content than Group A

Appendix 4.

Prices of Steel and Steel Products
(Basic for producer prices)
per 1000 kg

	Old Reich	Federal Republic (1)		Soviet Zone		
	since 1936 RM	since 1.4.48 DM (West) (3)	since 1.12.49 DM (West) (3)	1945 - 1949 RM and (3) DM (Ost)	since 1.1.50 DM (Ost)	
Crude Steel Ingots	83.40	147.50	157.00	83.40	basic prices (2) 116.50	special prices (4)
Rolling Mill products						
Bar steel	115.00	212.50	225.00	115.00	195.50	195.50 (19 mm)
Wire (rolled)	127.30	219.00	229.00	127.30	216.40	
Band steel	132.00	232.00	264.00	132.00	224.20	
Section steel	112.50	209.00	221.00	112.50	191.25	218.30 (N.P.10)
Rails	137.20	234.00	234.00	137.20	233.00	
Broad flat steel	120.60	221.00	221.00	120.60	205.00	211.15 (N.P.16)
Heavy plate	132.30	234.00	234.00	132.30	226.00	238.85 (10 mm)
Medium plate	135.90	265.00	265.00	135.90	231.80	245.00 (6 mm)
Light sheet	184.00	300.00	312.50	184.00	314.00	376.00 (1 mm)

(1) Source: Industrie-Anzeiger 1950 pages 37, 70 and 92
(2) calculated under consideration of price increases for crude steel: 40% over 1944 price level
for rolling mill products: 70% over 1944 price level
(3) all prices for Thomas quality, surcharge for S-M-quality 6.00 DM
(4) prices for special dimensions in S-M-quality actually paid.

Appendix 5

SHARE OF THE SOVIET ZONE IN THE IRON AND STEEL IMPORT AND EXPORT TRADE IN 1936

	Total	Old Reich	Soviet Zone		Berlin	
	1000 t	Mill.RM	1000 t	Mill.R.M	1000 t	Mill.RM
IMPORTS						
Iron Ore	18,469.3	168.3	(1)	(1)		
Manganese Ore	229.6	7.4				
Pyrites	1.042.8	15.9				
Calcined Pyrites	1,883.9	16.6				
Ores	21,625.6	208.2	(1)	(1)		
Scrap Iron	331.9	10.5	20.7	0.7		
Crude Iron	111.8	5.0)	6.8	0.3		
Ferrous Alloys	1.0	0.3)				
" "	25.7	8.6	1.5	0.5		
Iron and Steel	470.4	24.4	29.0	1.5		
Steel semi-finoshed material	48.2	5.7	2.9	0.3		
Steel Tubes	4.6	1.6	1.2	0.4	0.3	0.1
Bar & Section Steel	271.5	31.4	67.9	7.9	19.0	2.2
Sheet	34.6	7.2	8.7	1.8	2.4	0.5
Wire (2)	5.9	1.2	1.3	0.3	0.3	0.1
Permanent Way Material	14.8	1.6	3.7	0.4	1.0	0.1
Forgings	4.6	3.6	1.2	0.9	0.3	0.3
Rolling Mill Products without semi-finished material	336.0	46.6	84.0	11.7	23.3	3.3
EXPORTS						
Scrap Iron	57.8	2.4	-	-	-	-
Crude Iron	241.2	9.9)	7.4	0.3		
Ferrous Alloys Gr.A	4.0	0.5)				
" " Gr.B	20.2	16.0	4.4	3.5		
Iron and Steel	323.1	28.8	11.8	3.8	-	-
Steel semi-finished material	191.0	11.8	5.7	0.4	-	-
Steel Tubes	376.3	63.5	15.1	2.5	-	-
Bar & Section Steel	944.8	103.8	37.8	4.2	-	-
Sheet	583.5	84.7	23.3	3.4	-	-
Wire (2)	37.7	2.9	2.0	0.3	-	-
Permanent Way Material	252.8	21.2	10.1	0.8	-	-
Forgings	99.6	20.8	4.0	0.8		
Rolling Mill Products without semi-finished material	2,294.7	296.9	92.3	12.0		

(1) Share of the Soviet Zone cannot be ascertained. The figures shown in the statistics include the total quantity sent to Silesia.

(2) Excluding drawn wire.

Source: Statistical Year Book of the Iron and Steel Industry in 1938.
Special statistics of the Statistical Office.

Appendix 6

EFFECTS OF DISMANTLING ON PRINCIPLE CRUDE STEEL PRODUCING WORKS IN THE SOVIET ZONE OF OCCUPATION

Works	1943 - Capacity		Dismantled	Reconstruction by end of 1949 (x)
	Pig Iron	Crude Steel		
	tons	tons		
Maxhütte	250,000	250,000	Nil	Pre-war
Thale	-	120,000	Nil	Pre-war
Hennigsdorf	-	150,000	100%	80%
Riesa	-	400,000	100%	17%
Groditz	-	80,000	100%	40%
Lauchhammer	-	150,000	100%	Nil
Döhlen	-	200,000	100%	Less than 10%
Brandenburg	-	400,000	100%	Nil
		1,750,000		

(x) calculated by output of fourth quarter 1949.

Works equipment at the end of the war and dismantlings in 1945 and 1946

Works	Plant	Production Program	dismantlings Buildings	dismantlings plant
Blast Furnaces				
Maximilianshütte	4 blast furnaces 300 ton daily capacity	basic pig iron cast iron special pig iron basic slag blast furnace cement	not dismantled	
Steel Works				
Maximilianshütte Unterwellenborn	4 converters 12 ton capacity each 2 electric furnaces 15 ton capacity each	basic steel electric steel	not dismantled	
Hennigsdorf	4 open hearth furnaces 2 electric furnaces	ingots cast steel	60%	100%
Riesa	7 open hearth furnaces	ingots	70%	100%
Groeditz	7 open hearth furnaces 1 electric furnace 2 Bessemer converters	ingots cast steel	100%	100%
Doehlen	7 open hearth furnaces 1 electric furnace	ingots and cast steel speciality: high quality steel	100%	100%
Brandenburg	4 open hearth furnaces 1 electric furnace	ingots	100%	100%
Thale	3 open hearth furnaces 2 electric furnaces	ingots	not dismantled	
Rolling mills				
Maximilianshütte	1 cogging mill 1 girder mill 1 steel rod mill	semi-finished prod- rail ucts rods and sections	not dismantled	
Hennigsdorf	thin sheet rolling mill	thick sheet medium sheet thin sheet	60%	100%
Riesa	steel rod rolling mill (3 cogging mills 4 finishing rolls)	semi-finished prod- steel rods ucts. sections strip steel	70%	100%
	raw rolling mill (2 oblique rolling mills 3 tube works reducing mill warm and cold drawing mill butt welding plant 1 coil press for seamless tubes)	seamless and welded tubes processing: pipe coils engine & ship heaters forged turned ends riveted and welded containers big pipe lines		100%

Works	Plant	Production Program	Dismantlings buildings	plant
Groeditz	3 rolling mills	strips solid wheel centres	100%	100%
	1 forge and press	axles forgings sets of wheels fittings pipe bends		
Doehlen	small section rolling mill (in Freital & Pirna) sections rolling mill forge and press	rails steel rods strip bare drawn steel springs railway switches	100%	100%
Brandenburg	2 sheet rolling mills	thick sheet serrated sheet sheet iron provided with projections medium sheet	100%	100%
Thale	1 cogging mill 1 sheet rolling mill 1 cold rolling mill	open hearth thin sheet refined & dynamo sheet cold rolled special sheet sheet metal goods tinned and enamelled household articles casks containers glazed enamelled containers for the food and luxury industries	not dismantled	

Appendix 8

QUARTERLY PRODUCTION OF INGOT AND ROLLED STEEL AT MAXIMILIANSHUTTE WORKS, UNTERWELLENBORN

1946
(in tons)

Product	I/46	II/46	III/46	IV/46	Year 1946
Ingots	4138	26319	32209	34051	96717
of which Thomas Steel	(3700)	(23123)	(26924)	(28468)	(82215)
and Electro Steel	(438)	(3196)	(5285)	(5583)	(14502)
Rolled Steel	3217	21178	24015	27668	76078

1947
(in tons)

Product	I/47	II/47	III/47	IV/47	Year 1947
Ingots	22721	27982	24641	32402	107746
of which Thomas Steel	(19502)	(23082)	(18606)	(27679)	(88869)
and Electro Steel	(3219)	(4900)	(5945)	(4813)	(18877)
Rolled Steel	18760	25861	23682	27897	96200

1948
(in tons)

Products	1/48	11/48	III/48	IV/48	Year 1948
Ingots	35073	32845	28515	40993	137426
of which Thomas Steel	(27815)	(25764)	(19895)	(32418)	(105892)
and Electro Steel	(7258)	(7081)	(8620)	(8575)	(31534)
Rolled Steel	31835	28951	30247	40194	131227

1949 *
(in tons)

Products	I/49	II/49	III/49	IV/49	Year 1949
Ingots	44000	86000		50223	180000
of which Thomas Steel	(34000)	(68000)		(38000)	(140000)
and Electro Steel	(10000)	(18000)		(12000)	(40000)
Rolled Steel	45662	43400	50000	54975	194000

Note: * 1949 figures partly estimated.

Production of Pig Iron and Steel Ingots in the Soviet Zone

in tons

Year	Pig Iron			Steel Ingots							
	Maximilianshütte		Grand Total	Maximilianshütte		Total	Thale	Hennigs-dorf	Branden-burg	Gröditz	Riesa	Grand Total
	Thomas-Special Pig iron			Thomas-	Electro Steel							
1932	617	24,351	24,968					45,013	94,854	25,414	101,283	266,564
1933	320	29,432	29,752					50,342	112,399	26,290	115,605	304,636
1934	14,639	34,338	48,977	11,565		11,565	(90,000)	92,410	185,294	29,925	198,996	608,190
1935	96,797	67,898	164,695	83,281		83,281	(90,000)	118,362	245,373	47,811	249,579	834,406
1936	137,933	69,966	207,899	117,637		117,637	97,674	150,847	267,197	65,531	312,033	1,010,919
1937	200,560	17,269	217,829	188,900		188,900	100,000	145,969	284,600	66,154	309,277	1,094,900
1938	224,218	10,002	234,220	187,188	24,571	211,759	110,600	164,181	335,854	80,027	340,204	1,242,625
1939	228,644	3,515	232,159	148,091	70,019	218,110	100,000	180,560	346,673	93,574	382,324	1,321,241
1940	229,147	---	229,147	134,077	82,474	216,551	100,000	147,109	354,343	108,442	361,761	1,288,206
1941	212,114	13,461	225,575	119,114	84,827	203,941	103,072	148,122	424,373	126,298	360,216	1,366,022
1942	195,409	15,127	210,536	152,155	40,925	193,080	100,000	132,543	408,203	126,743	366,424	1,296,993
1943	220,322	33,401	253,723	165,387	44,861	210,248	100,000	152,389	445,218	139,225	349,332	1,396,412
1944	n.a.	n.a.	n.a.	180,000	47,400	227,400	103,300	148,000	410,400	137,300	329,200	1,355,600
1946	93,405	29,648	123,053	82,215	14,502	96,717	57,324	---	---	---	---	154,441
1947	106,515	25,000	131,515	88,869	18,877	107,746	67,254	---	---	---	---	175,000
1948	130,956	42,212	182,039(+)	105,892	31,534	137,426	75,000	39,200	---	---	24,800	276,400
1949(x)	170,310	60,000	249,310 (++)	140,000	40,000	180,000	120,000	105,000	---	10,000	170,000	585,000 x

x steel estimated
(+) includes 8871 t Spiegeleisen
(++) " apprx. 20,000 t Spiegeleisen

Appendix 10

POST WAR DEVELOPMENT OF ROLLING MILL PRODUCTION IN THE SOVIET ZONE

Including S.A.G. Thale
(output in 1,000 tons)

	1946	1947	1948			1949		
			1st Half	2nd Half	Total	1st Half	2nd Half (+)	Total (+)
Thale	19.9	20.0	30	30	60	40	50	90
Maximilians-hütte (Rods and bars, sections)	76.0	96.2	60.8	70.4	131.2	89	105	194
Hennigsdorf (Rods bars, sections, wire)	-	-	-	0.7	0.7	25	53	78
Riese (tubes)	-	-	-	-	-	.2	23	23.2
Eberswald (sheet)	-	-	2.4	4.5	6.9	5.8	7	12.8
Ilsenburg (Sheet)	-	-	2.6	4.6	7.2	15.0	18	33.0
Auerhammer (Sheet)	-	-	1.0	2.7	3.7			
Olbernhau (Sheet)	-	-	0.6	2.2	2.8			
Kirchmöser	-	-	-	-	-	-	(++)	(++)
Burg (Thin Sheet)	-	-	-	-	-	-	.7	.7
Döhlen	-	-	-	-	-	-	(++)	(++)
Gröditz (Tyres)	-	-	-	-	-	-	2.0	2.0
	95.9	116.2	97.4	115.1	212.5	175.0	258.7	433.7

(+) partly estimated.

(++) figures not available, but output in 1949 negligible.

Appendix 11

EXISTING AND PLANNED ROLLING MILL CAPACITIES (German Works)

Works	Plant	Production	Annual Capacity	Origin	Operation	Remarks
MAX-HUTTE	1 Cogging mill dia.1100 mm	Semi-finished products	240,000		Pre-1945	
	1 Twin mill dia. 950 mm	Semi-finished products and steel sections	48,000 120,000		" "	
	1 Triple mill dia. 700 mm	steel sections	50,000		"	
	1 Sheet mill dia. 525 mm	thin sheet	48,000		1950	
RIESA	1 Cogging mill dia 850 mm	Semi-finished products	240,000	Demag Duisburg	end 1950	Originally planned to start end 1949
	1 Triple mill dia. 500 mm	steel sections	100,000	Schloemann Düsseldorf	Sept.1949	
	1 Triple mill dia. 360 mm	bar steel	70,000	Schloemann Düsseldorf	Mar.1950	
	Tube rolling mill	seamless tubes	8,000	U.S.S.R.	1. 7.49	
	Tube butt welding plant	butt welded tubes	8,500	U.S.S.R.	1. 7.49	
HENNIGSDORF	1 Cogging mill dia. 750 mm	Semi-finished products	180,000		Originally 1. 3.49	Now supposed to start early 1950
	3 Triple mills dia. 450 mm 350 mm) 550 mm)	" " small sections and rods	48,000 48,000 12,000		1. 4.49 1. 4.49 1. 7.48	Delay of several weeks in starting up.
	1 Wire drawing plant	rolled wire down to dia. 3.5 mm	12,000		1.10.49	Broke down mid-Oct. Restarted 23.1.50.
	1 triple bloom mill dia. 450mm 1 double twin mill(Dowlais mill) dia 300mm	small sections	10,000	U.S.S.R.	Second half 1949	
H & M EBERSWALDE	1 Double twin mill dia 300mm	sections	7,200		pre-1945	
	1 Triple rolling mill, dia. 300 mm	sections & rods	4,800		"	

Appendix 11

Works	Plant	Production	Annual Capacity	Origin	Operation	Remarks
ILSENBURG	1 Twin rolling mill dia. 1000mm	plates	14,000		pre-1945	
	1 Twin rolling mill dia. 650mm	medium plates	3,600		15. 4.49	
AUERHAMMER	1 Twin rolling mill dia. 560mm	sheet	3,600		pre-1945	
	1 Twin rolling mill dia. 630mm	medium and fine sheet	6,000		1. 5.49	
	1 Twin rolling mill dia. 630mm (at Gowe)		2,000 (3,000 since 1.7.49)		pre-1945	
OLBERNHAU	1 Twin rolling mill dia. 725mm	thick, medium and thin sheet	4,200		pre-1945	
	1 Twin rolling mill dia. 700mm		4,800		1.6.49	
	1 Twin rolling mill dia. 560mm	thin and dynamo sheet	1,200 (2,200 since 1.6.49)		pre-1945	
GROEDITZ	Rolling mill for wheel rims	wheel rims	15-16,000 (approx. 60,000 pieces)	U.S.S.R.	1.10.49	
	1 Press 1 Truss rolling mill			U.S.S.R.		Planned for early 1950
KIRCHMOSER	1 Sheet rolling mill dia. 950mm	thin plate	20,000	U.S.S.R.	1.10.49	Planned to start July 1949
	1 Thin sheet mill dia. 250mm	small sections	14,000	U.S.S.R.	7.11.49	Planned to start 1.8.49
BURG	1 Sheet mill	small sections thin sheet	2,500		12.11.49	
DRESDEN	1 Rolling train	small sections	Very small capacity			Planned for Jan 1950

NOTE: The production capacities quoted in column 4 refer partly to semi-finished rolled products, which are further processed in other rolling mills. It would, therefore, be misleading to add up the capacity figures shown above in order to arrive at a Zonal total capacity.

Appendix 12

Steel Plan 1949

Production of Raw Steel Ingots and Semi-finished Products

Distribution of Semi-finished Products among the processing Rolling Mills and Production of Finished Steel

(German Works Only)

(in 1,000 tons)

	Maxhutte	Hennigsdorf	Riesa	Ilsenburg	Stocks	Total
Production of Raw Steel Ingots	145	110	170	-	15	440
Deliveries to other Steel Works			-107		- 15	
Supply from Riesa and stocks	+ 90	+ 12		+ 20		
Amount of Raw Steel Ingots available at the individual Steel works for processing.	235	122	63	20	-	440

Semi-finished products to be produced from above ingots

	Max-hütte	Hennigs dorf	Riesa	Ilsen burg	Stocks	Total	Finished rolled Products manufactured from semi-finished rolled steel
Processing at the following Rolling Mills							(in 1,000 tons)
Maxhütte duo	135	-	-	-		135	120 sections
Triple	27					27	24 rods and bars
Hennigsdorf - 350	-	30	-	-		30	27) sections,
450	-	43	-	-		43	38) rods, bars
Wire	-	6				6	5 wire
Riesa 350	18	16	-	-		34	30) sections,
500	-	-	57	-		57	50) rods, bars
Ilsenburg	-	-	-	18		18	15 sheet
Auerhammer	10.5	-	-	-		10.5	9 sheet
Olbernhau	8	-	-	-		8	6.5 sheet
Eberswalde	-	14	-	-		14	12 rods and bars
Press and Forging works	13.5					13.5	
Total semi-finished products	212	109	57	18		396t	
Total of finished products							336.5 t.

Appendix 13

IRON ORE MINES IN THE SOVIET ZONE

1. SCHMIEDEFELD MINE Nr. UNTERWELLENBORN

Manpower	Capacity	Available Machinery	Remarks
540	300 tons daily	4 Calcinating Furnaces Electric Cable way 3 Compressors 12 Pneumatic Drills (always available) 5 Hoists, one for personnel, 4 for ore. Capacity 90-120 cwts, electrically operated. 3 Railway Connections Diesel Railway in the pit	Was formerly the ore base for Maxhütte. Produces Spathic iron suitable also for Foundry iron. Reserves estimated at 6-7 million tons. Electricity supplied by Saalsperre hydro-electric power station. Manpower 540 men. (not always attained)

2. GROSSKAMSDORF Nr. UNTERWELLENBORN

Manpower	Capacity	Available Machinery	Remarks
365	300-400 tons daily	3 Compressors 10 Pneumatic Drills	Ore transported by rail direct to Maxhütte ($7\frac{1}{2}$ Kilometres) Ore is broken up in the crushing plant. Manpower 350-380 men.

3. WITTMANNSGREUTH MINE Nr. UNTERWELLENBORN

Manpower	Capacity		Remarks
280	100-200 tons daily		Ore is conveyed to the smelting furnace direct on overhead moving rack. Reserves estimated at 6.7 million tons but extensive survey necessary before output can be increased. Manpower 280 men.

/4. ....

4. AM BUECHENBERG HARZ MOUNTAINS

Manpower	Capacity	Remarks
-	1,500 tons monthly	Ore formerly smelted in the furnaces of Haeckingen/ Rhine. Installations are modern though mine not fully developed. Red Ironstone mined has 30% phosphorous and 0.6% manganese Reserves are very extensive.

5. BRAUNESUMPF HARZ MOUNTAINS

Manpower	Capacity	Remarks
300	10,000 tons monthly	Production never higher than 2,000 tons monthly Part of ores are suitable for foundry iron and part for basic steel

Appendix 14.

LIST OF STATE OWNED (GERMAN CONTROLLED) STEEL WORKS OPERATED UNDER THE DIRECTION OF VVB VESTA, LEIPZIG

Ore Mines

VEB Eisenerzgruben "Am Büchenberg" Elbingerode

VEB Eisenerzgruben "Braunesumpf" Hüttenrode

Blast furnaces, steel works and rolling mills

VEB Maxhütte, Unterwellenborn

VEB Stahl - und Walzwerk, Hennigsdorf

VEB Stahl - und Walzwerk, Riesa

VEB Eisen - und Stahlwerk, Gröditz

VEB Walzwerk, Kirchmöser

VEB Walzwerk, Burg

VEB Blechwalzwerke, Olbernhau

VEB Halbzeugwerke Auerhammer, Aue

VEB Kupfer- und Blechwalzwerk, Ilsenburg

VEB Stahl- und Walzwerk, Brandenburg

Components Suppliers

VEB Elektrowerk, Lippendorf

VEB Dolomitwerke, Wünschendorf

Processing Works

VEB Federnfabrik, Oranienburg

VEB Kaltwalzwerk und Metallwarenfabrik, Bad Salzungen

VEB Ziehwerk, Brotterode

VEB "Präma" Präzisionszieherei und Maschinenfabrik, Lugau

VEB Faradit, Röhren und Walzwerk, Chemnitz

PART III

IRON AND STEEL WORKS IN THE SOVIET OCCUPIED ZONE OF GERMANY (EXCLUDING FOUNDRIES)

The following is a list of the iron and steel works followed by detailed descriptions of the individual works:-

EISENHUTTENWERKE THALE AT THALE, SAXONY-ANHALT

Former owner: Otto Wolf Combine and Hüttenwerke AG. Bochum

Present: SAG 'Marten' (Soviet)

Ownership of the steel works at Thale was transferred to the Soviet Joint Stock Company 'Marten' in 1946, and the plant consequently received first priority in raw materials, labour and other supplies. No dismantling was carried out. The plant specializes in the production of special purpose steel sheet, e.g. steel plates; sheet for aeroplanes and automobiles; sheet from alloyed materials such as silicon; transformer plates and dynamo sheet, etc. The output of its steel works is insufficient to meet the requirements of its rolling mills, so that Maximilianshütte and Riesa are called upon to supply approximately 2,000 tons of ingots monthly. Thale has numerous production branches, producing also baths, petrol drums of 200 litres capacity, cooking utensils for the armed forces, large containers and tanks for chemicals, acid-proof drums and containers, household goods, etc.

The plant is old and much of it is obsolete. During 1947/48 the U.S.S.R. provided some sixty replacement rolls for the mills. The plant uses mainly scrap and production is controlled and distributed solely by the SMA. Some pig iron is received from the U.S.S.R. to ensure that reparations orders are fulfilled. 80 per cent of output goes in direct reparations or to SAG firms working on reparations orders. The remainder which comprises poorer quality products is distributed through the German authorities.

Since 1948 dolomite has been burnt in the dolomite plant furnaces.

The plant now employs approximately 6,000 workers. Three shifts daily are worked, seven days a week.

The following tables give details of plant installations and production:

PLANT - STEEL INGOTS

	Capacity	Remarks
3 Furnaces	50 tons each	1 furnace works on the Maiz system
2 Electric furnaces	5-8 tons each	No information regarding production of electric steel at this works available
1 Dolomite furnace	25 tons daily	

PRODUCTION

in 1000 tons

	1936	1938	1946	1947	1948	1949	Plan 1950
Steel ingots	98.0	110.0	60.0	67.2	75.0	120.0	120.0

PLANT - ROLLING MILLS

Plant	Capacity	Remarks
1 Cogging mill	210 blocks per shift (1 block = 1 ton)	In operation pre-1945
3 Rolling mills for sheet	Approx. 800 t transformer plate and 200 t dynamo sheet monthly	" "
Ancillary equipment:		
1 Rolling mill for cold rolling of their sheet including 8 Twin mills (manually operated)	180-220 per shift Up to 1,000 mm. wide	" " " "
1 Triple mill (partly automatic)	Up to 1,300 mm. wide	" "
1 Triple, 2 Twin mills	Up to 1,000 mm. wide	" "
3 Pickling installations	-	(Systems: Buchert & Kraus)
2 Annealing furnaces	-	(Useful width 2,300 mm. gas fired)
1 Rolling mill for cold processing	-	Started up in 1948
1 Fine rolling mill for profile steel	-	"
1 Rolling mill for commercial sheet metal, dynamo and transformer sheet	-	Planned for 1950

PRODUCTION

in 1000 tons

	1946	1947	1948	1949	Plan 1950
Rolled products	19.9	20.0	60.0	80.0	90.0

OTHER PLANT INSTALLATIONS

Plant	Capacity	Remarks
4 Enamelling furnaces	-	Double muffle type; gas filled
2 Drying furnaces	320 tons monthly	-
1 Reverbatory furnace	4 x 4 x 9 metres	-
1 " "	2 x 2 x 4 "	-
1 Dye stamping plant	450 tons monthly	380 tons of monthly output are enamelware
1 Metal ceramics plant	-	-

EISENWERKSGESELLSCHAFT MAXIMILIANSHÜTTE, UNTERWELLENBORN, THURINGIA.

Former owner: Flick Combine Present: V.E.B.
V.V.B. 'Vesta'
(State owned)

The Maximilianshuette is the most important works of the iron and steel industry in the Eastern Zone. It is the only plant which produces pig iron. The total works comprises pig iron, Thomas steel, electro steel and rolling mill installations. None of these were dismantled, and capacities at the end of the war were approximately 250,000 tons of pig iron, 250,000 tons ingot steel and 230,000 tons of rolling mill products. Under the Two Year Plan Investment Programme approximately 45 million Deutsche Mark were earmarked for improvements and extensions to the works, some particulars of which are given below.

According to current plans, 1949 production figures should be exceeded in 1950 when, it is envisaged that capacities of the works will be approximately:

Pig iron	335,000 Tons
Ingot steel	250,000 Tons
Rolled steel	256,500 Tons

Present plant facilities and planned extensions, production and production targets are detailed in the sub-paragraphs following:

PIG IRON

The works has its own ore basis in the mines at SCHMIEDERFELD, WITTMANNSGEREUTH and GROSS KAMSDORF, and some additional supplies from the mines at BUCHENBERG and BRAUNESUMPF, which up to the time of the counter-blockade sent their ores to Western GERMANY for smelting. Work has started on an additional ore mine installation.

Until the beginning of 1949 only three of the blast furnaces operated, but the fourth furnace has since been started and the others completely overhauled. By extensions and overhaul to the existing installations, particularly the construction of a water pipe from the rive SAALE, which has a capacity of 750 cubic metres per hour, continuous simultaneous operation of the four blast furnaces has been achieved.

Two Stürzelberg furnaces will be erected to increase the output of Spiegeleisen. A pig iron casting plant capable of converting 21 tons of foundry iron into "pigs" in 20 minutes, was started in August 1949.

The blast furnances were originally constructed for high grade Ruhr coke, but on cessation of supplies during the blockade, alternative deliveries came from POLAND and CZECHOSLOVAKIA; this coke however, is of lower quality than the Ruhr product. In order to achieve independence of Ruhr coke for the whole of the Eastern Zone, a coking plant to produce 500,000 tons p.a. is planned.

The pig iron works produces Thomas and foundry iron and Spiegeleisen. The installations consist of:

PLANT:

Existing Plant	Capacity	Extensions 1949/1950 Plan	Capacity	Remarks
4 Blast furnaces	300 tons each daily	2 Sturzelberg furnaces	not finally decided.	Increase in pig iron output should be achieved by continuous 4 furnace operation. First half 1950.
		1 Blast Furnace	300 tons	

PRODUCTION:

(in 1000 tons)

	1934	1936	1946	1947	1948	1949	Plan 1950
Pig iron	149.0	200.8	123.1	131.5	182.0	+248.3	335.0

+ Revised Target 1949: 200,000 tons. Original Plan figure: 300,000 tons.

BREAKDOWN OF PIG IRON PRODUCTION:

(in 1000 tons)

	1946	1947	1948	1st half 1949	Plan 1950
Thomas	93.5	106.9	130.9	70.0	255.0
Foundry	29.6	24.6	42.2	33.0	65.0
Spiegeleisen	-	-	8.9	6.6	20.0
Total	123.1	131.5	182.0	109.6	340.0

STEEL INGOTS

The Maxhuette is the only plant in the Eastern Zone which produces Thomas steel. Two only of the blast furnaces can be used for basic steel and, under favourable conditions, produce approximately 300 tons per day. However, the steelworks converters having only a capacity of 12 tons each could not cope with this output.

The amount of electro-steel obtained from the two electro furnaces depends on the fluid charge from the converters. Included in the investment programme is the modernisation of the converter installations. With the improved output of pig iron, and increase in ingot steel will follow. The target for 1950 is not finally decided but will be between 250,000 and 260,000 tons.

Under the investment programme 19,300,000 Deutsche Mark have been allocated for the modernisation of the plant including the rolling mills and the erection of a triple stand train. Details of the steelworks installations and production are set forth in the tables following:

PLANT - STEEL INGOTS

	Capacity	Remarks
4 converters	12 tons ea.	Thomas steel is produced by a new process perfected by Dr. Sedlaceek,
2 Electric Furnaces	15 tons ea.	

PRODUCTION

in 1000 tons

	1936	1938	1944	1946	1947	1948	1949	Plan 1950
Steel ingots	117.6	219.5	227.4	96.7	107.7	137.4+	180.0	250/260
of which Thomas	117.6	219.5	180.4	82.2	88.9	105.9	140.0	215/220
and Electro	-	-	47.0	14.5	18.8	31.5	40.0	40.0

+ Target 1948: Thomas steel 121,000 t; electro steel 40,000 t.

PLANT - ROLLING MILLS

Plant	Annual Capacity	Products	Remarks
	(in 1000 tons)		
1 Cogging mill dia. 1100 mm.	240.0	Heavy ingots up to 4 tons Semi-finished products	In operation pre-1945
1 Twin mill dia. 950 mm.	48.0	Semi-finished products and steel sections	" " " (5 stands)
	120.0		" " "
1 Triple mill dia. 700 mm.	50.0	Steel sections	" " " (2 stands)
1 Intermediate rolling mill	48.0	Small sections	Planned to start up in January 1950
1 Sheet mill	48.0	Thin sheet	Date for construction depending on delivery from Western Germany

PRODUCTION - ROLLING MILLS

(in 1000 tons)

	1946	1947	1948	1949
Rolled products	76.0	96.2	131.2	194.0+

+ 1949 target: 170,000 t

OTHER PLANT INSTALLATIONS

	Remarks
1 Forge	Contains 5 hammers; a 3,500 kg. bridge hammer; 300, 200, 100 kg. hammers.
1 Press plant	Comprises 10 presses: one 4000 t three 1500 t and six smaller.
1 Grinding Plant	For basic slag.
1 Gas purification plant.	The works has also electrical and other workshops and an experimental laboratory.

Production of special steel (Edelstahl) such as V2A steel and hard manganese steel is to be increased. In 1950 also non-coroding sheet and plate will be manufactured.

RIESA STEEL AND ROLLING MILLS, RIESA, SAXONY

Former owner: Mitteldeutsche Stahlwerke GmbH. Flick Combine.

Present V.E.B. V.V.B. "Vesta" (State owned)

The SIEMENS MARIN works, including the plate and tube rolling mills were totally dismantled in 1946 and about seventy per cent of the buildings were also either dismantled or destroyed. Many of the buildings and plant installations have been rebuilt; part of the equipment was returned from the USSR against payment, the majority however, has been delivered by DEMAG of DUISBURG and SCHLOEMANN of DUSSELDORF. Further orders for a new tube rolling mill with a capacity of 10,000 tons per annum at an additional cost of about 14 million Deutsche Mark and a variety of electrical equipment, have been approved. The cost of rebuilding the works amounting to between 40-50 million Deutsch Mark, is being borne by the state.

Under this investment plan output of the six 100 ton furnaces will be increased by the introduction of chromium magnesite bricks, when the reconstruction of the rolling mills has been completed. Output of the rolling mills will include alloyed and non-alloyed shapes (I.U. steel over 80mm web) including sheet piling. Hot rolled bar steel, universal mill products, hot rolled steel strip and hot milled wire rods, all alloyed and non-alloyed. The medium sheet mill and thin plate mill with 2 and 6 stands respectively should be working to full capacity during 1950.

Labour Force. Total number employed amounts to about 5,000.

The following tables show the pre-war capacities of the plant, present capacities and additional plant planned for the immediate future. Production and production plan tables are also given.

PLANT - STEEL INGOTS

Position at the end of the war. Plant	Capacity	Position at the end of 1949 Plant	Capacity	Remarks
7 Siemens Martin furnaces	100 t each +	6 Siemens Martin furnaces	100 t each	3 in operation at the end of 1948. Additional two by the end of May 1949. Sixth in September 1949.
		2 Electric-arc furnaces	10 t 5 t	Under construction by DEMAG.

+ Totally dismantled 1946.

PRODUCTION

(in tons)

	1948	1949
S.M. ingots	24,300 +	170,000 ++

+ Target 1948: 40.000 tons.
++ Target 1949: 170,000 tons.

PLANT - ROLLING MILLS

Position at the end of the war.		Position at the end of 1949		Remarks
Plant	Capacity	Plant	Capacity	
1 Rolling mill for rods	150,000 t p.a. +	1 Cogging mill dia 850 mm	240,000 t p.a. semi-finished	From DEMAG. Planned to start end 1950
3 tube rolling mills	60,000 t p.a. +	1 Triple mill dia 500 mm	100,000 t pa steel sections	From SCHLOE-MANN. Started Sept. 1949.
1 Butt welding + plant		1 Triple mill dia 360 mm	60-70,000t pa bar steel.	From SCHLOE-MANN. To start March 1950.
		Seamless tube rolling mill	8,000 t pa	Returned from USSR. Started June 1949. (incomplete)
		Tube butt welding plant	8,500 t pa	Returned from USSR, second half 1949.

+ Dismantled in 1946.

PRODUCTION

(in tons)

	1949+
Seamless tubes	4,981
Billets, bars	18,132

+ Target 1949: 8,000 t tubes only.
Target 1950: total of 260,00 tons all types.

a) Erection of a further 850 mm Cogging Mill is planned but no firm delivery dates have been fixed.

b) A new Seamless tube rolling mill with an annual capacity of 10,000 tons is to be erected to replace the present obsolete plant returned from USSR.

HENNIGSDORF STEEL WORKS AND ROLLING MILLS, HENNIGSDORF, BRANDENBURG

Former Owner: Mitteldeutsche Stahlwerke G.m.b.H. Present: V.E.B.
Flick Combine V.V.B.'Vesta'
(State owned)

The steelworks and rolling mills at Hennigsdorf were totally dismantled in 1946 and more than 60 per cent of the buildings were dismantled or destroyed. The 1949/1950 Investment programme for this works amounts to 17-20 million Deutsche Mark. This includes the reconstruction of the four Siemens Martin furnaces lined with special chromium magnesite bricks, they are expected to produce approximately 180,000 tons of steel ingots per annum. Reconstruction of the rolling mills including a thin plate rolling mill with an annual capacity of 50,000 tons is envisaged; this means that the Hennigsdorf mills will have a greater capacity than during the war.

The tables hereunder showing pre-capitulation plant and capacities, and the reconstructed plant and planned extensions, illustrate the importance of the rolling mill side of this works.

Approximately 5,500 workers are employed in three shifts, seven days a week. A considerable increase in these figures is envisaged during 1950 and 1951.

This plant has experienced great difficulties in finding experienced technical personnel and because of the large amount of waste from production, in February 1950, a works manager at Unterwellenborn, by the name of Hensel, was transferred to take over at Hennigsdorf; this would appear to be part of the plan to build up a nucleus of trained technicians under Sedlauck at Unterwellenborn, to take over the works.

PLANT - INGOT STEEL

Position at the end of the war		Position at the end of 1949		Remarks
Plant	Capacity	Plant	Capacity	
4 Siemens Martin Furnaces	80 tons ea.	4 Siemens Martin Furnaces	80 tons ea.	In operation by Sept.'48
2 Electric Furnaces	5 tons daily+ 10 tons daily+			The two electric furnaces are to be rebuilt under the Two Year Plan

\+ Totally dismantled

PRODUCTION

(in 1,000 tons)

	1948	1949
S.M. Ingots	39.2+	104.9++

\+ Target 1948: 52,000 tons

++ Target 1949: 110,000 tons

PLANT - ROLLING MILLS

Position at the end of the war		Position at the end of 1949		Remarks
Plant	Capacity	Plant	Capacity	
1 Cogging Mill Dia 750 mm	180,000 tons p.a† semi-finished products	1 Cogging Mill Dia. 750 mm	180,000 tons p.a. semi-finished products	Planned for 1.3.49 but delayed several wks.
1 Rolling Mill	6,000 tons p.a† plate	1 Three high mill (3 triple 1 duo stands) Dia 450 mm	48-60,000 tons p.a. rods	Planned for 1.4.49
1 Rolling Mill	10,000 tons p.a† medium sheet	1 Rolling Mill (5 Stands) Dia. 350 mm	48,000 tons p.a. Small sections and rods	Planned for 1.4.49
	80,000 tons p.a† thin sheet	1 Rolling Mill Dia. 550 mm	12,000 tons p.a. rods.	Planned for 1.7.49
		1 Wire train (1 Triple (Bloom Mill (dia.450 mm (1 Double Twin (Mill (Dowlais (Mill) dia 300mm	12,000 tons p.a. (Wire down to 3.5 mm) Small sections 10,000 tons capacity	Started on 1.10.49 After a few days running the motor burnt out & was out of action till end of Jan. x Plant returned from Russia Operation since second half of 1949
		1 Rolling Mill	50,000 tons p.a. thin sheet	Plans under discussion

+ Totally dismantled

PRODUCTION

(in tons)

	1948	1949	PLAN 1950
Rolled Products	Ø 670	est + 78,000	

Ø Target 1948: 10,000 tons
+ Target 1949: 115,500 tons approx.

SHEET ROLLING MILLS OF AUERHAMMER AND OLBERNHAU

Former Owner:

F.A. Lange Metallwerke A.G. Aue,
combined with
Gome Metallwaren Aue.

Present: V.E.B.
V.V.B. Veste
(State owned)

The rolling mills of Auerhammber and Olbernhau were until 1948 producers of non-ferrous metal sheet only. Owing to the severe shortage of steel sheet, which was the principal bottleneck in the mechanical engineering industries, these plants were ordered to switch to the production of steel sheet and the rolling mill at Gome near Aue was affiliated to the Auerhammer works.

Under the 1949 Investment Programme Plan, approximately one million Deutsche Mark have been allocated for the improvement of existing installations, including the modernization of the cold rolling mill and wire drawing plant at Olbernhau. No plans are known regarding possible extensions to the present rolling mill capacity, but reports indicate that plant at present in operation is in need of extensive replacement.

Plant at the end of the war		Plant at the end of 1949		Remarks
Plant	Capacity	Plant	Capacity	
a) at Aue (Auerhammer)		Part of the original plant in operation.	3,600 tons p.a. (medium steel sheet)	
1 Twin Rolling Mill Dia 560 mm including: 3 Reheating furnaces: 5 Rolling Beds	Combined output of both plants in 1944. 13,000 tons steel sheet.	1 Rolling Mill: Dia 630 mm +	6,000 tons p.a. (steel sheet)	New installation
		1 Butt welding machine for tubes	600 tons p.a.	" "
b) at Olbernhau		Part of the original plant in operation.	4,200 tons p.a. (fine steel sheet)	
1 Twin Rolling Mill Dia 725 mm		1 Rolling Mill: Dia 560 mm	2,200 tons p.a. (Dynamo sheet)	Capacity increased in July 1949 from 1,200 tons p.a. by the erection of a new train
1 Twin Rolling Mill Dia 560 mm				
1 Twin Rolling Mill Dia 700 mm		1 Twin Rolling Mill Dia 700mm		
c) at Gowe, Aue. (incorporated with Aue, Auerhammer)				
1 Twin Rolling Mill Dia 630 mm	2,000 tons p.a. steel sheet	1 Twin Rolling Mill Dia 630mm	3,600 tons p.a. (steel sheet)	Capacity increased in July 1949 from 2,000 tons

+ Partly dismantled

PRODUCTION

(in tons)

	1948
Auerhammer (including Gowe)	3,752
Olbernhau	2,854

COPPER AND SHEET ROLLING MILL. ILSENBURG.

Former owner: Kupferwerk Ilsenburg A.G. Present: V.E.B.
V.V.B. "Vesta"
(state owned)

"WALZWERK MICHAEL NIEDERKIRCHNER".

This plant produced only non-ferrous rolled products until the beginning of 1948 when the S.M.A. gave orders for the plant to change over to the production of rolled steel sheet in conjunction with the Auerhammer and Olbernhau works. No dismantling occurred and approximately nine million Deutsche Mark have been allocated under the Two Year Investment Programme to make the plant the most modern for the rolling of thick plate and medium plate, which are delivered to Riesa for the production of cement factories.

Three re-heating furnaces are under construction and a new power plant is being built. Crude sheet metal is supplied by Maximilliansh utte, Riesa and Hennigsdorf.

PLANT

Position at the end of the war		Position at the end of 1949		
Plant	Capacity	Plant	Capacity	Remarks
1 Twin Rolling Mill dia. 1000 mm	14,000 tons p.a. (plate) 1,000 tons p.a. (sheet)	Old plant in operation	14,000 tons p.a. (plate)	
		1 Twin Rolling Mill dia.650 mm	3,600 tons p.a. (sheet)	Started in June 49

PRODUCTION

(in tons)

	1948
Thick plate	7,212 +

+ Target 1948: 8,000 tons

GRÖDITZ IRON AND STEEL WORKS, GRÖDITZ, SAXONY

Former Owner: Mittledeutsche Stahlwerke G.m.b.H, Flick Combine

Present: V.E.B. V.V.B."Vesta"

This plant which formerly produced Siemens Martin and Electric Steel, steel plate and armour plating, wheel sets and rims, was totally dismantled in 1946. The consequent lack of wheel sets and rims for the rolling stock caused very serious bottlenecks in transport. In 1948 therefore the Soviets returned against payment, part of the rolling mill plant required for the production of wheels and tyres. A truss Rolling Mill also was returned by Russia in 1949 and will be put into operation in 1950.

Under the Two Year Plan investment programme approximately 12 million Deutsche Mark have been allocated for the reconstruction of the works. The following table shows the extent of dismantling, and reconstruction work undertaken. Production in 1949 was insignificant.

PLANT

Position at the end of the war		Position at the end of 1949		Remarks
Plant	Capacity	Plant	Capacity	
STEEL INGOTS				
4 S.M.Furnaces 1 Electric Furnace	40 tons ea+ 10 tons+	2 S.M.Furnaces 2 Electric Furnaces	15 tons 40 tons 10 tons	2 additional S.M.Furnaces of 40 tons cap. to be in commission beginning of '50 To be constructed in 1950 by DEMAG Duisburg.
ROLLED PRODUCTS				
3 Rolling Mills	25,000 tons p.a.+ (wheels and tyres)	1 Rolling Mill	15-16,000 tons p.a. (wheels & tyres)	1 Press. 1 Truss Rolling Mill. Returned by Russia. Limited output at the end of 1949.

+ Totally Dismantled

KIRCHMÖSER SHEET ROLLING MILLS, KIRCHMÖSER

Former Owner:

Deutsche Reichsbahn A.G.

Present: V.E.B.
V.V.B. 'Vesta'

(State owned)

During the war this plant was engaged on the construction of tank hulls in co-operation with the Walzwerk Weber at Brandenburg. Previously it was a Railway repair shop for locomotives and wagons. The Soviet authorities dismantled the equipment in 1946 leaving the buildings intact. Later it was decided to construct rolling mills in the halls and sheds at Kirchmöser. Ingots are delivered by Riesa and Unterwellenborn.

Approximately 700 workers are at present employed. This figure will increase as planned extensions to the sheet and plate mills are brought into production.
Investment programme:

PLANT

Position at the end of 1949		Remarks
Plant	Capacity	
1 Twin Rolling Mill Dia 950 mm (reversible)	20,000 tons p.a.	From the USSR. Started in October 1949
1 Cogging Mill	14,000 tons p.a. (thin sheet metal)	From the USSR. (Started in Sept. 1949) (Should have started June 1949)

BURG ROLLING MILL, BURG, near MAGDEBURG, SAXONY ANHALT

This works is to be reconstructed as a rolling mill.

Plans for 1949-1950 are as follows :-

Position at the end of 1949 Plant	Capacity	Remarks
1 Rolling Mill train for thin sheet	200 tons per month	Started on 12.11.49. Broke down after a few days in operation, not repaired as at mid-January.
1 Cold Rolling Mill		Planned to start up in 1950
Under the Investment Plan for 1950 which provides funds amounting to 3 Million Deutsche Mark a large generating plant is to be built, extended railway sidings and cranes to be erected and new workshops to be set up.		

RECONSTRUCTION OF THE WALZWERKE WEBER, BRANDENBURG (State owned)

Before the war this works belonged to the Mitteldeutsche Stahl u. Walzwerke of the Flick Combine and had an annual capacity of 400,000 tons of Siemens Martin steel ingots. Rolling mill products consisted mainly of special plate and sheet for armour plating and shipbuilding. The entire plant was dismantled in 1945 and those buildings which were not removed were destroyed.

Under the reconstruction plan the new steel works and rolling mills will have an annual capacity of 500,000 tons. The works will be known as the Volkseigene Industrievereinigung Brandenburg and will belong to V.V.B. "Vesta".

Work on clearing the site began in November 1949 and it is planned to start construction of the steelworks in February 1950; the plant is to be one of the most up to date in the Eastern Zone. Three 100 ton Siemens Martin furnaces are to be in operation by the end of 1950, the first is planned to start on the 1st of August. This plant when complete will add considerably to the steel production potential of the Eastern Zone and will include:

10 Siemens Martin Furnaces of 100/120 tons capacity each.
1 Complete rolling mill for semi-finished products.
1 Forge.

This work has been given top priority and has been placed under the special supervision of the Central Control Commission to provide the necessary materials.

HOFFMANN AND MOTZ, ROLLING MILLS, EBERSWALDE, BRANDENBURG.

No dismantling was carried out, the plant installation table below therefore shows the position as at the end of 1949.

PLANT

Position at the end of 1949		Remarks
Plant	Capacity	
1 Double Twin Mill. Dia 300 mm	7,200 t p.a.	Reheating furnaces and mills have been overhauled.
1 Triple Rolling Mill Dia 300 mm	4,800 t p.a.	A rolling mill for rods is to be built under the Two Year Plan.

PRODUCTION

in tons

	1948	1949
Bar steel	+ 6,971	12,800

+ Target 1948: 7,500 tons

DRESDEN RAILWAY ADMINISTRATION, DRESDEN
SAXONY

Rolling mills are being set up in the former railway workshops. Plans for plant installation under the Two Year Programme.

PLANT

Position at the end of 1949 Plant	Remarks
1 Rolling mill for thin sheet and sections.	Put into operation January, 1950
1 Rolling mill for rolling from 150 down to 75 mm	Planned to start up in 1950
1 Rolling mill for re-rolling	Planned to start up in 1950

Production used for railway purposes.

"DÖHLEN IRON AND STEELWORKS. "DÖHLEN AND PIRNA, SAXONY

Former Owner:
Sechsische Gusstahlwerke A.G.,
Freital.

Present: V.E.B.
(State owned)

This works formerly produced steel of special qualities to naval and railway specifications, including spring steel, steel rails and track components. In 1946 the plant and buildings were largely dismantled.

The following table shows the extent of dismantling and the amount of rehabilitations undertaken to date.

PLANT

STEEL INGOTS				
7. S.M.Furnaces) 1 Electric ")	200 - ≠ 250,000 tons p.a.	2 S.M.Furnaces	5 and 10 tons each	Started in November 1949
ROLLED PRODUCTS				
1 Rolling Mill (for rails) Several Rolling Mills for sections	100 - 120,000 tons p.a. ≠	1 Rolling Mill for thin sheet		Reported that it is planned to start in 1950

≠ Totally dismantled 1946

A laboratory for chemical and technical research and a steel foundry are also to be erected here in 1950.

50X1-HUM

ECONOMIC REPORT ON THE SOVIET OCCUPATION ZONE OF GERMANY FEBRUARY/MARCH 1950

PREFACE

The following paper deals with a number of selected economic aspects appertaining to the Soviet zone and in particular with Reparations, Foreign Trade, Interzonal Trade, Agriculture - Food - Rationing and Labour. Statistical data relating to these items is given in Appendices 'A' to 'G'.

INTRODUCTION

1. The general progress of the zonal economy as outlined in the previous report in this series dated 5th January, 1950, continues and is gradually becoming a consolidated trend. The principal efforts are made towards reconstruction and expansion of the basic industries. As was shown in Special Reports Branch's detailed survey of Eastern Germany's Iron and Steel industry published on 1st March, 1950, sufficient headway is being made in this field to allow for major expansion of the engineering industries in 1951. The fact that the bulk of all engineering produce has to be delivered to the Soviet Union either as reparations or exports only adds to the importance of this development.

2. Soviet exploitation of the zone's economy continues as hitherto with few exceptions and coupled with undiminished exploitation of the working classes. Food rations in the zone remain 40 to 50 per cent below those prevailing in the Federal Republic. Food and consumer goods prices on the free market are being drastically reduced, whilst the cost of rationed goods will increase slightly. This general narrowing down in the price difference between free and controlled sales is being accepted by the population as a most welcome development and is one of the clever moves of the East German Government to create the impression of economic progress by which also the working classes benefit. This is done, of course, in preparation for the October elections and is part of the economic propaganda programme which will soon be stepped up. In this connection it is interesting to note that imports of consumer goods from abroad are widening in range and recently even include textiles.

3. It was originally announced that food rationing, except for meat and fat, would be abolished after the harvest. Now it is officially stated that rationing will continue until the end of the year, but it is probable that increased food imports will soon allow for the ration scales to be met in full. At present certain high calorific foodstuffs, such as meat and fat in particular, are sometimes still substituted though on a much smaller scale than hitherto.

4. On March 3rd a possibly "planted" report was received in Western Berlin which resulted in a series of broadcasts by the American Forces Network and articles in some of the Western Berlin press announcing the imminence of a currency reform in Eastern Germany and the impending issuance of new notes.

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/From the .....

From the start these rumours were known to be without foundation, but they eventually resulted in the East Mark dropping for one day to 1:9, with the result that the H.O. shops in the East Sector succeeded in substantially increasing their sales to West Sector inhabitants. In the course of the month the West Berlin authorities have succeeded in disposing of a fair proportion of their East Mark holdings.

5. There is no likelihood of a currency reform in Eastern Germany in the near future, though it is possible that new signed notes will be issued on a 1:1 basis after October 15th, 1950. The financial developments tend to be deflationary rather than inflationary.

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REPARATIONS

According to the 1950 Economic Plan and in compliance with Paragraph 16 of the Law appertaining to the Plan the current scale of East Zone reparations and Red Army deliveries is fixed at 6.3 per cent of the total gross-production value of the Zone's economy. The percentage figure as such is correct, but it is very misleading and purposely tends to minimise the importance of these deliveries.

The actual figures are:-

Reparations - 970 million DM (4.4 per cent)
Red Army takings - 452 million DM (1.9 per cent)

i.e., a total of 1,422 million out of 22,500 million gross production.

The above figures are misleading for two reasons:-

(a) Reparations are calculated at 1944 stop prices (usually identical with 1936 prices), but actual production costs are about 50 per cent higher, which difference is covered out of the East zone revenue. Gross production statistics are generally based on the higher present-day prices. Actual reparations and Red Army takings at cost prices, therefore, do not amount to 6.3 per cent, but to 9.5 per cent of gross production.

(b) Any comparison with gross production figures is misleading. Gross production figures were formerly never used for statistical analysis, because they contain large amounts of double counting. For example, the gross production figure of the engineering industry includes the value of the steel, fuel and power which were already previously counted in the gross production figures of the steel, mining and electricity industries, and it even includes the value of components imported from Western Germany.

From past experience it is known that the net production value is equivalent to about two-thirds of the gross production figure.

Based on (a) and (b) above, the following calculation gives the approximate share of deliveries as reparations or to the Red Army:-

	Million DM.
Gross production	22,500
Net production (2/3rds of gross production)	14,500
Reparations and Red Army takings (at reparations prices)	1,422
Reparations and Red Army takings at actual costs (50% above acknowledged reparations prices)	2,133

2,133 million DM., which represents the actual cost of reparations and Red Army takings, corresponds to almost 15 per cent of the zonal industrial net production.

In assessing the positive importance of reparations deliveries from the Soviet point of view, it must be borne in mind that they are mainly made up of industrial producer goods such as factory plant and installations, machinery, electrical equipment, special chemicals, optical goods, etc., which are of considerable importance to the economic reconstruction of the Soviet Union. The negative importance from the East Zone point of view primarily results from the fact that by these deliveries the economic reconstruction of Eastern Germany is continuously being delayed. In other words, if the Soviet zone were no longer obliged to deliver reparations, especially industrial equipment, its economic reconstruction would be speeded up considerably.

/The 1950 plans ...

The 1950 plans for reparations and Red Army takings not only show that there is no intention on the part of the Soviet Authorities to reduce their claims, but that reparations will be extracted also in 1951 because some of the larger contracts placed have delivery dates extending well into next year. Even more than previously reparations are concentrated on industrial capital equipment. Almost 80 per cent of the total value of the current reparations contracts relate to engineering goods, among which the most important are a number of rolling mills for the Soviet Union comprising 9,000 tons of equipment which are being constructed at the group of Soviet A.G's in the Magdeburg region.

The large reparations claims in engineering goods explain the anxiety of the East Zone authorities to maintain the flow of iron and steel and semi-finished products and industrial equipment from Western Germany. But, in order not to be entirely dependent on West German deliveries, imports of about 200,000 tons volume of rolled and fringe products from the Soviet Union were made last year and are expected to be repeated in 1950.

For the first time reparations to Poland appear as a separate item in the overall plans. Poland will receive slightly more than 10 per cent of the total 1950 target, i.e. supplies amounting to 102 million DMs.

In contrast to previous years very few contracts for chemicals have been placed and what has been ordered is earmarked for Poland. This trend may possibly be indicative of the future policy of the Russians with regard to Soviet A.Gs and seems to confirm earlier reports suggesting that the chemical and mining concerns will be among the first to be handed back to the German economy when, in connection with the October 1950 elections, such a propaganda gesture may be considered opportune.

Reparation deliveries continue to hold highest priority. The East German Government has been instructed that delays must be avoided. Fulfilment of the contracts will be acknowledged only when deliveries have actually crossed the German frontier or have arrived at a Baltic port. Delays or deficiency of quality will be regarded as serious offences entailing heavy fines and possibly punishment. Claims for indemnities connected with such deficiencies will be filed by the Soviet Authorities with the Reparations Department of the East Zone Government, which in turn will enforce by administrative means refund from the producers. The decision of the Reparations Department is final and the firms are not permitted to take their case to Court. The decree giving these directives explicitly states that on principle the most severe laws are to be applied for offences regarding reparations contracts. If at all possible sentences are to be passed under the notorious Wirtschaftsstrafverordnung of 1948.

The Ministers for Foreign and Interzonal Trade and Finance have been made responsible for the smooth supply of raw materials, particularly metals, for reparations contracts and if necessary for the allocation of foreign exchange. Among imports supplies of ball-bearings and roller-bearings, and special steel for the production of these items have been given highest priority. The Soviet AG DKF at Leipzig which produces ball-bearings is to be expanded and the few German plants manufacturing ball-bearings are to be used to their fullest capacity. It appears from the decree and information from other sources that ball and roller bearings represent about the most acute problem in the reparations programme.

Attached at Appendix 'A' is a table indicating in some detail the distribution of reparations contracts between Soviet AGs and the German works. It shows that almost 50 per cent of the contracts have been placed with Soviet AGs and cover almost exclusively engineering equipment. Orders with German works comprise a wider range of commodities as is shown below:-

/Reparations Contracts 1950 ...

Reparations Contracts 1950

Commodity	Contracts with:- Soviet AGs	Contracts with:- German Works	Total
	(in % of total contracts)		
Engineering, electro-technical and precision equipment.	95.0	65.0	79.5
Chemicals, liquid fuel and rubber goods.	2.5	1.0	1.5
Prefabricated houses.	-	14.0	7.5
Books and other printed matter.	-	18.0	9.5
Miscellaneous.	2.5	2.0	2.0
	100.0	100.0	100.0

At Appendix 'B' the 1950 Reparations Programme is analysed with regard to principal commodities. It shows the preponderance of heavy engineering equipment. Almost 15 per cent of the total reparations target for 1950 is made up of boilers and heavy electrotechnical equipment such as generators, transformers, etc. Ore processing plant, including rolling mills, account for more than 11 per cent, and rolling stock for 13 per cent. Of special interest among the electro-technical equipment is a contract for 400 mobile electric-generators with a capacity of 40 kW each to be fitted on railway trucks. Contracts for rolling stock include 250 narrow gauge locomotives, 350 metal railway coaches for Russian gauge and 1,100 refrigerator railway trucks. The shipbuilding orders include 210 fishing vessels. In addition ships repairs and rehabilitation are planned in accordance with a programme shown at Appendix 'C'. The total shipbuilding and repair contract account for 12 per cent of the 1950 reparations plan.

The Soviet Zone also is to supply heavy cranes including 50 ton and 25 ton railway cranes. Other heavy equipment ordered include pumps, compressors, forges and hydraulic presses. Contracts have also been placed for complete installations for the production of synthetic fertilizers, ceramics and various consumer goods, including equipment for the manufacture of preserves, margarine, sugar, soap, alcohol, spirits, beer and tobacco. Equipment for a glass bottle manufacturing plant (a copy of the Owens System) is also scheduled for delivery in 1950.

The very large contracts for the equipment of cement factories placed with the Soviet AGs in 1947/48 have for all practical purposes been completed and the German technicians in charge of the production recently received the Stalin prize in acknowledgment of their services. They were each granted premiums of 100,000 Roubles, which is now equivalent to approximately DM East 47,000. The completion of these contracts was possible only because a substantial part of the equipment such as cables, heavy sheet, etc. was obtained from Western Germany.

/FOREIGN TRADE. ...

FOREIGN TRADE.

Trade within the Eastern Orbit.

In line with the general trend of the Soviets to grant economic assistance or reduce their own economic benefits by a smaller scale of economic exploitation, the pricing of deliveries from Eastern Germany to the U.S.S.R. is now being allowed at world market prices, or at least on a level near to world market averages. Hitherto the Zone's deliveries to Russia were enforced at 1944 stop-prices which more or less equalled those of 1936 and bore no relation to current cost of production. This trend has been noticed since the establishment of the East Zone Government, but it was not until recently that the East Zone Trade delegates were given a genuine bargaining position.

The signing of a Trade Agreement between Soviet Russia and the Eastern Zone is imminent. The trade talks have continued for a considerable time at Moscow and it is anticipated that the resulting trade policy will further integrate the economy of Eastern Germany into the Eastern orbit with the particular aim, in line with the other satellites, to further the five year plan of the U.S.S.R. By co-ordinating trade contracts placed with or through the satellites the Soviet avails itself of the resources of various countries, without itself appearing as the trade partner. The number of examples of this technique is increasing and is extended by indirect purchases conducted through agencies outside of the Eastern orbit, for instance from the U.S.A., Italy, Switzerland, etc. Incidental information shows that other satellites, such as Czechoslovakia, are acting in a similar way through trading agencies abroad.

The impending trade agreement between the Eastern Zone and the U.S.S.R. aims at almost doubling the 1949 turnover, but since the East Zone authorities will be allowed to charge more normal prices, the actual volume of trade will not increase to this extent. In terms of value trade between the Soviet Zone and Eastern Germany during 1949 was planned at 620 million DM East but is believed to have actually reached 700 million. If the 1950 plans materialise the value of trade will reach 1,300 million DM East or 600 to 700 million in each direction and will thus be larger than interzonal trade which averaged 75 million during the months January and February. Russian deliveries consist mainly of metallurgical raw materials and semi fabrics, as well as foodstuffs, whilst the East Zone's deliveries are primarily made up of engineering produce, capital plant, electrical equipment and instruments, etc.

At the end of December the Eastern Zone held Russian orders, excluding reparations, for 200 million DM East worth of merchandise, made up as follows:- engineering products 130 million, mining products 14 million, metallurgical products and scrap metal 13 million and timber 7 million.

The East Zone Authorities anticipate that their exports to Russia during the current year, in the engineering field alone, will amount to about 500 million DM East, in addition to reparations contracts for similar goods valued at 700 million DM.

Engineering products also form a substantial part of the purchases made by the satellite countries. At the end of December the Eastern Zone held export orders from Poland, Czechoslovakia and other Eastern European countries, totalling 200 million DM East, including 82 million for engineering goods, 24 million for metallurgical products and scrap metal, 25 million for mining products and 25 million for timber.

Generally speaking all orders placed by Soviet purchasing agencies enjoy top priority. As a rule the exceptions relate to such deliveries to the satellites as are required by the latter in connection with their own export deliveries to the U.S.S.R.

/The development ....

The development of foreign trade since 1947 is shown in the following table. The data for 1947 and 1948 originates from the statistical department of the former DWK, whilst the more recent figures are based on statistics of the East Zone Foreign Trade Department and on statements made by leading officials.

Soviet Zone Foreign Trade
(Import and Export)

in million RM/DM

Period	Total Foreign Trade	Of which trade with U.S.S.R.
1947	198	15 (estimate)
1948	800	300
1949	1,600	700
1950	3,000	1,300

According to the 1950 economic plan Russia and its satellites will account for 80 per cent of Eastern Germany's foreign trade. Next to Russia, Poland will be the most important trading partner. Among its commitments for delivery to Eastern Germany during 1950 are 3 million tons of hard coal, 850,000 tons of briquettes and benzol, metallurgical goods and foodstuffs. As compared with 1949 trade during the current year is to be increased by between 80 and 90 per cent.

The exchange of goods with Czechoslovakia is scheduled to rise by 70 per cent, with Czechoslovakia obligated to deliver, among other things, 500,000 tons of high quality coke for the metallurgical industry, etc. and 5 million dollars worth of foodstuffs and consumer goods including textiles, which appear to be scheduled for distribution through the HO Shops during the late Summer period in order to create the appearance of "spectacular economic successes" before the October elections.

Trade with Hungary also will increase, but will continue to be small. Hungary's contributions will consist mainly of meat and to a lesser extent of other foodstuffs.

A new trade agreement with Bulgaria is to be concluded in the near future, but no details have so far become available.

Trade with countries outside of the Eastern Orbit.

In contrast to the efforts made in order to expand East German trade within the Eastern orbit and with Western Germany, the East Zone authorities appear to be slow in their attempts to develop trade with the Western world. This trend appears to follow a Soviet Directive and to fall in line with the experiences of trade delegations from the Western countries in their negotiations with the Foreign Trade Ministry in Moscow. East Zone policy, in this respect, has varied slightly in accordance with its dependence on certain supplies for which there are no alternative sources, but the general attitude at the moment is to show little interest in the conclusion of new trade agreements, leaving it to the Western countries to make the approaches. One reason for this attitude could be to secure by this means an acknowledgment of the East Zone Government, but the more obvious one is Eastern German

/inability .....

inability to provide the necessary funds or merchandise with which to pay for large scale imports. For instance it is known that Denmark and Holland would be willing to accept textile deliveries but the quantities available in Eastern Germany are hardly sufficient to meet the Zone's own increased requirements in accordance with a plan to build up stocks for distribution to the population at a politically opportune time. This applies similarly to other commodities. As an example, potash deliveries to Czechoslovakia have been considerably delayed because of preferential distribution to East German farms in connection with the production drive aimed at achieving crops equal to peacetime level.

Whilst there is a general reluctance to conclude long term trade agreements, individual barter transactions, preferably with single firms or groups of firms in Western countries, continue to be made. Recently a comprehensive barter agreement amounting to 4 million dollars, to be carried out over a period of months, was signed between "DAHA" and the Norwegian Barter Corporation. This barter agreement provides for large imports of fish, whale-oil, pyrites, etc. In return the Soviet Zone will supply potash, sugar, and finished consumer goods, including textiles.

The former trade agreement with Norway expired on 30th November 1949 and the East Zone authorities have shown a marked lack of interest to conclude a new agreement.

The trade agreements with Holland and Sweden continue to be in force until the 30th June 1950. Sweden is in a fairly strong position because of East German dependence on the high grade Swedish iron-ore, special pig iron and alloyed steel, as well as high quality cellulose, etc. There have been attempts by the Soviet Zone authorities to employ Swedish intermediaries to trade with South America. This move was necessary because direct negotiations in the absence of a clearing agreement were unsuccessful. The Swedes are keen on this type of intermediary or transit trade, particularly with Brazil because it tends to offer a satisfactory means to settle the adverse balance in the Swedish/Brazilian clearing agreement.

The Netherlands are dissatisfied with their trading arrangements with the Soviet Zone, mainly because of the latter's inability to balance the clearing account, which leaves the Dutch with a credit of approximately 8 million Dutch Guilder. Attempts to bring about a special barter agreement, in accordance with which 50 per cent of the East Zone's deliveries would be used to pay off the debt have failed and trade has now almost come to a standstill. It was for these reasons that the Dutch cancelled their collective exhibition planned for the Leipzig Spring Fair.

Hitherto the Dutch were of some importance to the East Zone, as intermediaries conducting varied types of special trade transactions, particularly during the counter blockade period.

The trade agreement with Denmark has expired and trade declined considerably during recent months. Some special contracts have not been fulfilled by the Eastern Zone and there is a general trend to disregard Danish offers. In fact Denmark appears to have been singled out to be exposed to the strongest pressure, presumably in order to obtain political recognition. The Soviet Zone is taking no risk with this move because Denmark was the least important of its trade partners and the relatively large quantities of food previously purchased there are now being obtained from other countries, especially Norway and the satellites.

Trade with Switzerland is restricted mainly to special items and to transactions in which Swiss firms act as intermediaries. Indirect trading of this kind has enabled the Eastern Zone to obtain, among a variety of other important commodities, such items as ball-bearings and roller-bearings, from the U.S.A. and Italy, etc. which cannot readily be obtained otherwise.

/A Swiss...

The present impasse in trade between the Soviet Zone and Western European countries was reflected in the very poor business results of the Leipzig Fair

INTERZONAL TRADE

Interzonal trade continues to be one of the keys to successful progress of the Two Year Plan and the Eastern Zone authorities continue with their strenuous efforts to utilise every possibility of maintaining the flow of goods between Western and Eastern Germany. As hitherto, they are concentrating on purchases of iron and steel and other metallurgical products, as well as capital equipment, machinery and other engineering products. Large orders for materials and equipment of the types mentioned above continue to be placed in the Federal Republic.

Officials of the East Zone maintain that so far transactions via the clearing accounts represent only a minute part of the total turnover. The figures which they have quoted tend to show that the value of interzonal trade in terms of DM West for the period May to December 1949 amounted to 430 million Marks and for the months January and February 1950 to an additional 150 million Marks. Out of the total of 580 million, however, only 60 million or about 10 per cent is stated to have been transacted through the clearing accounts, the balance having been met either by cash payment or barter. An increasing proportion of the interzonal trade is being financed directly or indirectly by firms domiciled in Western neighbouring countries, whose transactions with the Eastern orbit frequently involve deliveries to or through Western Germany and are often of a triangular or quadrangular type. Some financing of interzonal trade of the Soviet Zone has more recently been made in the form of deferred payment agreements, conceded by manufacturers and traders in the Federal Republic.

A substantial proportion of the purchases of the Soviet Zone continue to be made on behalf of the Soviet Union, either for direct transit delivery through Eastern Germany or for use in reparations and export contracts to be carried out in the Soviet Zone.

Under a recent agreement the Soviet Zone has undertaken to deliver to Western Germany 40,000 tons of sugar at 840 DM per ton, a price which includes about half of the normal sugar tax. The equivalent of 33.6 million DM will be used for purchases within the framework of the interzonal trade agreement and payments will go through the clearing account. It appears that about two-thirds of the total value will be allocated for purchases of essential commodities under "A" Account, whilst the remainder will be used to purchase surplus canned vegetables, meat and fish preserves and soft cheese, most of which are now difficult, if not impossible, to sell in Western Germany.

In a speech at the recent Leipzig Fair the East German Interzonal Trade Chief advocated the necessity to liberalise trade between the two parts of Germany and stressed the importance to both sides of abolishing restrictions existing under the present trade agreement. Recently Soviet Zone authorities have endeavoured to obtain the support of West German business circles by granting advanced approval of orders by West German firms and assuring preferential delivery terms upon receipt of payment permits from the Federal Authorities. In so far as these advanced approvals related mainly to inessentials, for which payment permits are unlikely to be forthcoming, it appears that the East Zone authorities aim at creating pressure groups which

/will...

will urge the Federal Government to take a broader view in its interzonal trade policy and to drop the existing controls.

Some organisational measures are anticipated in the near future. Hithorto the Handelsgosellschaft Grossborlin was the Eastern centre for interzonal trade transactions. This organisation is about to be re-organised and its title changed to Gesellschaft für Innerdeutschen Handel. The new body will control all interzonal trade transactions, except those of the Soviet owned trading companies and industrial corporations, though the responsibility for these also is likely to be frequently transferred to the Germans.

Internal zonal trade also is undergoing a certain amount of re-organisation, this time in the form of de-centralisation by the establishment of so called Handelszentralen individually responsible for certain groups of commodities and closely resembling the present Soviet system.

Changes are anticipated also in connection with foreign trade. In the first stage all Branches of the numerous Soviet Trading Companies are to be absorbed by "PROMEXPORT", which is retitled "HANDELS VERTRETUNG DER USSR, BERLIN".

AGRICULTURE, FOOD AND RATIONING

A decree published February 22nd concerns the improvement of food supplies and the organisation of farm quota collections. The preamble states that with the exception of fat and meat, all food will be derationed at the end of 1950. This means a further delay against the original announcement promising derationing after the 1950 harvest. In preparation for this development the price gap between rationed food and foodstuffs obtainable in H.O. shops will gradually be narrowed down both by price reductions at the H.O. and price increases for rationed goods. The H.O. organisation is increasing the number of its retail shops to 2,500.

No details of this year's farm quotas have yet been published but the recent decree rules that even smallholders of more than 60 years of age who were previously exempted from delivery quotas will now have to give up 60% of the normal quota or 40% in cases where the area of the holdings is less than 5 hectare.

Overall delivery targets are being fixed for Laender, Kreise and communities. Local Committees consisting of the Burgomaster, members of the local Farmers Union, Agricultural Labour Union and of a representative of the Kreis (all associated with the SED) will allocate individual quotas to each peasant within the framework of the overall target. Para 18/2 of the decree makes it clear that quotas must favour the smallholder, thus indicating that a new drive is planned against the old established medium and large farmer, who are generally considered as being politically unreliable.

This year's aim to raise food production to pre-war standards is to be achieved by increased yields. As it is not in the hands of the farmers to guarantee such increases even though fertiliser allocations and agricultural machines may be in more ample supply, these targets can only mean that higher delivery quotas will be enforced with little regard to actual crops. In many areas of the Soviet Zone the arable land is being re-assessed and peasants found to have attempted reporting smaller acreages are subject to heavy supplementary assessments. In addition, new delivery quotas are being established solely on the basis of available acreage. Previously the number of livestock was also taken into account. The new scheme therefore places many large farms which have relatively small livestock holdings at a disadvantage. Many large farms have comparatively small livestock holdings and are therefore in a disadvantageous position

/which...

which is worsened by the fact that, on principle, their delivery quotas are higher than those of smallholders. Quotas will be substantially higher than in 1949 and very much less will be left to farmers for free sale at more favourable prices. In consequence the financial position of medium and large farms will considerably deteriorate.

A comparison of the pre-war cultivation area and hectare yield with the 1950 cultivation plans and yield targets shows that even fulfilment of this year's programme would not produce a pre-war crop. The grain, potato and sugarbeet crop will still remain 18-20% below the pre-war figures and the deficit cannot be made up by other foodstuffs in spite of the substantially increased cultivation of oil-seed. Details to illustrate these facts are shown at Appendices 'D' and 'E'.

This year ammonia fertiliser is allocated on practically the same scale as in 1949 and should be sufficient. Potash also should be available in sufficient quantities provided it is allocated in the form of high grade fertiliser and not as in the past largely in the form of Kainit. The allocation of sufficient quantities of lime will in the first place depend on transport facilities. Phosphate distribution which, in the past, was one of the most serious bottlenecks in the field of fertilisers, is planned to be doubled in the current year, but will still amount to no more than 65% of the pre-war level. A survey of fertiliser allocations is shown at Appendix 'F'. Up to 15th March the distribution of fertiliser was rather unsatisfactory. Fulfilment of the target laid down for that date was as follows:

Ammonia fertiliser	40%
Phosphate	50%
Potash	60%
Lime	85%

Building in connection with Land Reform has fallen far short of the target. Owing to financial difficulties only 51% of the 29,700 farm houses planned for 1949 were completed. This year's building programme will be stopped up with the aid of voluntary juvenile labour and so-called relief shifts organised by village communities and local workers groups.

The 1950 plan for the rehabilitation of agriculture establishes production targets for various agricultural machines. Most important among them are agricultural tractors of which 5.060 are to be supplied to the National Machine Pools (M.A.S.); 800 are to be ready by 31st March. Actual production, however, does not live up to plans. According to available data output in January was only 66% of the target and still less in February and March. Stocks of components and raw materials in the agricultural machinery industry were almost exhausted by the end of January and production is further delayed because of import difficulties resulting from the fact that all reparations requirements have to be met first.

LABOUR DEVELOPMENTS

Unemployment in the Soviet Zone has substantially increased in recent months. By the end of January it amounted to 395,000 persons against 304,000 at the end of November. The following table shows developments between November and January:-

/30 Nov. 1949...

	30 Nov. 1949	31 Jan. 1950
Male unemployed up to age of 18	31,000	30,000
Female unemployed up to age of 18	60,000	61,000
Unemployed men	65,000	111,000
Unemployed women	148,000	193,000
TOTAL -	304,000	395,000

The increase between November and January is partly due to seasonal causes, but to some extent also the result of strained finances which force local authorities and private enterprises to economise to the utmost in their staff. An additional source of unemployment has been produced by the repatriation of German nationals from Poland; this is felt in particular in Brandenburg where special efforts are now being made by the planning authorities to create employment for the newcomers.

Unemployment exists mainly among white collar workers and unskilled labour, whilst the shortage of skilled personnel and technicians continues to be acute. The Saxon pitchblende mines have again attracted a large number of workers from other industries in that province including the Zwickau hard coal mines where output has been adversely affected. There is an acute shortage of metal workers, tool makers and fitters and of other types of skilled labour such as printers etc. Employment difficulties have arisen in some areas as a result of raw material and transport difficulties. This is true in particular of Thuringia which has been badly neglected with respect to fuel deliveries and where in consequence a number of works have to work short hours.

The large unemployment among juveniles is a matter of great concern to the zonal authorities and efforts are being made to expand training facilities, in particular at nationalised concerns and Soviet AGs. in order to absorb some of the youths. Large training centres were established at factories during 1949, especially in the metallurgical and engineering industries. Professional schools with a capacity for the instruction of 82,000 juveniles are to be reconstructed or newly built in the current year. Juveniles are also being trained in fairly large numbers for the Civil Service and both administrative and professional education have concentrated on technical training and, of course, on political indoctrination. The latter is successfully combined with sport, dances, cultural meetings, excursions etc. on similar lines as the DAF of the Nazi Era. Juvenile workers are also drawn into factory committees and being more readily indoctrinated, develop into a driving force whilst older and more experienced workers and technicians are reluctant to fall into line. Reports from large factories tend to indicate that this policy, and in particular the creation of juvenile groups of activists, is beginning to show results. The political importance of the juveniles is reflected in a bill at present under consideration which will reduce the majority age from 21 to 18 years.

The change in the social structure resulting from nationalisation and discrimination against private enterprise is reflected in the employment statistics. By 31st of December last only 9.5% of the total population were employed against a corresponding figure of 12.6% in the Federal Republic as per 30th September 1949. Employees and workers accounted for 34.2% as against 28.6% in the Federal Republic. This latter difference reflects the

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APPENDIX 'A'

1950 REPARATIONS CONTRACTS PLACED BY THE SOVIET UNION AND POLAND

Commodity	Placed with:- S.A.G's	Placed with:- German Works	Total Value
	(million D.)		
To the USSR:			
Rolling stock	76.4	36.9	113.3
Electrotechnical equipment	78.0	48.5	126.5
Equipment for metallurigcal works	12.9	3.0	15.9
Equipment for rolling mills	35.1	3.0	38.1
Mining and flotation equipment	29.0	5.8	34.8
Wire drawing equipment	-	6.0	6.0
Cables	1.5	.4	1.9
Foundry equipment	-	3.1	3.1
Lifting and conveyer gear	35.4	.9	36.3
Pumps and compressors	4.3	5.7	10.0
Forges and presses	11.6	1.9	13.5
Cement machines etc.	17.1	-	17.1
Building and road construction machines	5.2	2.2	7.4
Equipment for chemical and rubber industry	21.6	8.6	30.2
Equipment for food processing industries	25.3	48.0	73.3
Cold storage installations	5.0	17.5	22.5
Miscellaneous industrial equipment	2.3	6.3	8.6
Ships and ships' equipment	16.7	48.7	65.4
Salvage and ships repairs	12.3	38.8	51.1
Telecommunication equipment	8.0	2.0	10.0
Laboratory equipment & control gear	7.5	2.5	10.0
Prefabricated houses, fittings and sanitary equipment.	-	72.4	72.4
Typographic goods	-	80.0	80.0
Miscellaneous spares, laboratory ware and other goods	18.8	1.7	20.5
Total	424.0	443.9	867.9
To Poland:			
Engineering, electrotechnical and precision	23.3	33.7	57.0
Chemicals, fertilisers, liquid fuel, rubber	10.5	4.0	14.5
Miscellaneous	10.0	21.0	31.0
Total to Poland	43.8	58.7	102.5
Grand Total	467.8	502.6	970.4 +/

+/ Based on 1944 stop prices which are approximately equivalent to 1936 prices.

* 13.0 % of total reparations [illegible] by value, is railway [illegible].

larger unemployment figure in the West. The connection between unemployment and the influx of refugees from eastern territories is illustrated by the fact that the total population of the Federal Republic increased between 29th October 1946 and 30th September 1949 by 7.9% whilst the East Zone population in the same period only increased by 1.8%. The actual increase in population in the Soviet Zone was only 315,000 compared with no less than 3,468,000 in the Federal Republic. A survey of developments between 1939 and 1949 is given at Appendix 'G'.

APPENDIX 'B'

ANALYSIS OF REPARATIONS CONTRACTS FOR DELIVERY TO THE U.S.S.R. IN 1950

COMMODITY	PERCENTAGE OF TOTAL REPARATIONS TO USSR
Rolling Stock	13.0
Boilers, generators and transformers and accessories	14.5
Ore processing plant, rolling mills, foundries, wire drawing and rope making machines	11.5
Pumps, compressors, lifting gear, forges, presses, cement and building machines and other heavy engineering products.	9.5
Food processing machines and cold storage equipment	11.0
Equipment for chemical factories etc.	4.5
Ship building and repair	12.0
Books and other printed matter	9.5
Prefabricated houses (including fittings)	8.5
Miscellaneous industrial equipment, telecommunications equipment, control gears, laboratory wares, etc.	6.0
	100.0%

APPENDIX 'C'

REPARATIONS CONTRACTS FOR SHIP REPAIRS

TASK	To be completed by:	Expenditure in million DM
Repairs to Soviet war ships		10.0
Repairs to following ships:-		
"Lijuban"	First quarter of 1950	0.4
"Ilja Repin"	Second " " "	1.3
"Ligowo"	Third " " "	1.2
"Karelija"	Fourth " " "	2.4
"Primorje"/"Salun"	" " " "	3.5
"Peter W elikij"	1951	1.3
"Kaliningrad"	1951	2.5
"Tschukotka"	1951	1.5
"A useklis"	1951	2.0
"Alexander Moshajski"	1952	1.0
"Admiral Nachimoff"	1951	2.2
"Hansa u. Hamburg"	1952	3.0
Repairs to following Motorboats:-		
"Lenkoranj"	1950	1.8
"Kooperazija"	1951	2.0
"Rusj"	1951	5.0
"Pobeda"	1951	1.5
"Lensowjet"	1952	0.5
"Tuloma"	First quarter of 1950	0.2
Repairs to tanker "Derbent"	1951	1.6
Repairs to barge for transport of timber "Waga"	1951	1.5
Repairs to barge for transport of timber "Wytschegda"	1952	0.5
Repairs to training ship "Towarischtsch"	First quarter of 1950	0.3
Current repairs to miscellaneous ships		1.0
Repairs to fishing vessels		1.0
		49.2 *

50X1-HUM

* based on 1944 stop prices which are approx. equivalent to 1936 prices.

APPENDIX 'D'

CULTIVATION AREAS IN 1000 HECTARES

	1938/9	1948/9	1949/50	
Winter Grain	1774	1776	1784	
Summer Grain	1286	920	929	*
Winter Oil Seed	24	132	90	
Summer Oil Seed			55	
Flax and Hemp	15	38	32	
Leguminous Plants	109	156	190	
Potatoes	809	812	821	
Sugar Beet	225	217	225	
Fodder Root Crops	230	243	252	
Clover etc.	539	393	450	
Tobacco	2	7	9	
Vegetables	44	118	116	
Fallow Land	38	59	57	
TOTAL:-	5,095	4,871	5,010	

* The official 1950 plan gives a target figure of 1,119.000 ha, but this includes leguminious plants.

APPENDIX 'E'

CROP YIELDS PER HECTARE IN METRIC TONS

	Soviet Zone			Federal Republic
	1938/9	1948/9	1949/50 (Plan)	1948/49
Grain	2.35	1.70	1.84	2.41
Oil Seed	1.88	0.75	1.14	1.24
Sugar Beet	29.50	17.22	23.97	28.35
Potatoes	18.20	10.55	14.92	18.95

APPENDIX 'F'

FERTILISER ALLOCATIONS

(in 1000 tons)

	1938/9	1945/46	1946/47	1947/48	1948/49	1949/50 (plan)
Ammonia Fertiliser (N. content)	218	49	76	130	178	180
Phosphates (P_2O_5 content)	183	10	7	27	61	120
Potash (K_2O)	325	418	286	242	261	280
Lime (80% CaO content)	520	40	112	268	424	460

APPENDIX 'G'

POPULATION DEVELOPMENTS IN THE SOVIET ZONE

	17 May 1939	29 Oct 1946	30 Sept 1949	Increase between 1946 and 1949
		(all figures in 1000)		
Land Saxony	5,465	5,543	5,747	+ 204
Saxony/Anhalt	3,442	4,162	4,232	+ 70
Thuringia	2,431	2,943	2,935	- 8
Brandenburg	2,414	2,536	2,622	+ 86
Mecklenburg	1,405	2,149	2,112	- 37
Total	15,157	17,333	17,648	+ 315 (+)
Increase against 1939	-	+2,176	+2,491	(16.4%)
Increase against 1946	-	-	+ 315	(1.8%)
As compared with developments in West Germany:-				
Federal Republic	39,350	43,978	47,446	
Increase against 1939	-	+4,628	+8,096	(+20.6%)
Increase against 1946	-	-	+3,468	(+7.9%)

(+) This increase does not yet reflect the latest influx of repatriates from Poland, which only began in the current year but which is believed to be relatively insignificant.

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